

PINPOINT HIGHLIGHTS 1992

Alberta

THE HONOURABLE DICK JOHNSTON
Provincial Treasurer

Budget 1992

The 1992 Budget sets out a dual strategy to strengthen Alberta's economy this year and restore fiscal balance over the medium term.

The Budget takes immediate action to build confidence and create jobs. Economic Agenda '92:

- cuts Albertans' personal income taxes,
- provides \$200 million for accelerating local public works,
- assists small businesses and rural Alberta, and
- enhances the competitive position of our manufacturers.

The Budget also sets out a medium-term strategy to restore fiscal balance. The government's fiscal strategy:

- proposes firm legislated limits on government spending,
- cuts the size and cost of government overhead, and
- continues the restructuring of essential programs.

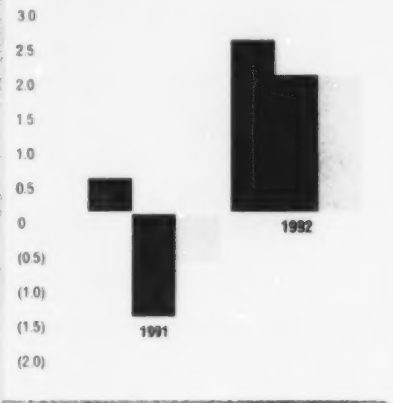
Economic Outlook

Alberta has been able to avoid the worst of the North American recession.

- Alberta's economy grew by 0.5% in 1991. While modest, this growth compared very favourably to the 1.5% decline for Canada.
- Alberta was one of only two provinces where employment increased last year. A record one and a quarter million Albertans were employed in 1991, an increase of 122,000 since 1985.
- The fundamentals for an economic recovery in North America are now in place. Inflation has fallen to 2% and interest rates have declined by over 6 points.

Real Economic Growth
(per cent, annual average)

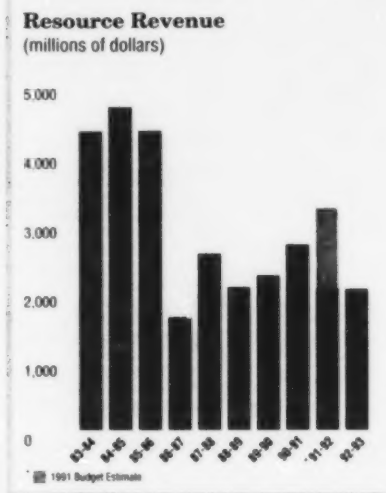
■ Alberta ■ Canada ■ U.S.



- There are signs of improving conditions for Alberta farmers. In 1992, realized net farm income should more than double from last year's very low levels.
- The outlook for natural gas export volumes continues to be promising. Alberta's natural gas exports to the United States should increase to 1.5 trillion cubic feet in 1992 and to 1.9 trillion cubic feet by 1995.
- Pulp and paper export volumes are expected to increase by 10% this year and by an additional 35% over the next two years.
- Real business investment outside the energy sector is expected to increase by nearly 10% in 1992, offsetting the 15% decline in energy investment.
- In 1992, Alberta's economy is expected to grow by 2.5% in real terms, compared to 2% for the United States and Canada.
- Over 15,000 new jobs are expected to be created this year.

Resource Revenue Shock

- Non-renewable resource revenue was down nearly \$1.2 billion from the budget estimate in 1991-92.
- Rather than increasing as energy experts predicted, natural gas prices dropped sharply last year. In addition, oil prices weakened more than expected.
- As a result, the 1991-92 deficit was over \$1.5 billion despite program spending being held flat.
- Resource revenue is not forecast to increase in 1992-93. The deficit is estimated at \$2.3 billion.



Economic and Fiscal Strategy

The government has chosen the sensible course for these difficult times. The world economic slowdown has affected our economy and eroded Albertans' confidence. At the same time, the resource revenue collapse has led to a serious fiscal imbalance. The government has adopted a dual strategy to deal with two problems — a struggling economy and large deficits.

- The economic strategy addresses the current economic concerns of Albertans. Economic Agenda '92 will build confidence and create jobs.
- The fiscal strategy addresses the fiscal imbalance over the medium term. Legislated spending limits will be introduced, programs restructured and internal government operations cut.

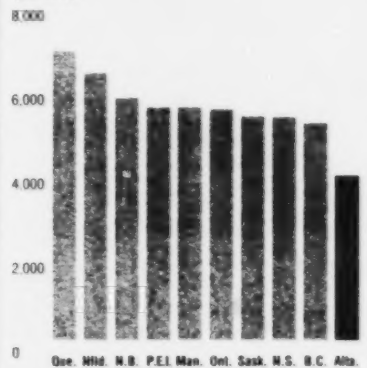
Economic Agenda '92: Confidence and Jobs

The government's Economic Agenda '92 will implement a four-part economic action plan to strengthen the Alberta economy and create jobs for Albertans.

#1: A Tax Cut for Albertans

- The personal income tax rate will be effectively reduced by one percentage point on July 1, 1992.
- The Alberta and federal income tax reductions will cut total taxes for Albertans by \$65 million in 1992 and over \$200 million in 1993.
- Albertans pay the lowest provincial personal income taxes in Canada. Alberta is the only province without a retail sales tax.

Comparison of Provincial Taxes Payable*
(dollars)



*Other provinces as of March 27, 1992

#2: Improving Alberta's Competitiveness

- Intense global competition for manufacturing jobs requires that corporate tax rates be competitive.
- The corporate income tax rate for large manufacturers and processors will be cut from 15.5% to 14.5% in two stages.
- The capital cost allowance on manufacturing machinery and equipment purchases will be increased from 25% to 30%.
- Small businesses will continue to benefit from a 6% tax rate.
- The provincial School Foundation Program Fund mill rate on commercial and industrial property will be frozen this year.

#3: Support for Small Businesses and Rural Alberta

- A total of \$120 million will be provided over the next four years, in cooperation with the federal government, to encourage further diversification of the economy.
- This funding will be provided under the new Western Economic Partnership Agreements. Support is targeted to eight priority areas.
- Total agriculture assistance will exceed \$730 million in 1992-93, including a near doubling of Alberta's contribution to the Gross Revenue Insurance Program (GRIP).

Western Economic Partnership Agreements

(proposed funding allocation, millions of dollars)

Agriculture and Food Processing	20
Business and Community Development	24
Communications Technology	10
Cultural Industries	7
Mineral Development	10
Northern Development	9
Reforestation and Forest Management	30
Tourism Marketing	10
	120

#4: Capital Works Job Creation

- Capital projects will be accelerated to stimulate the economy and create jobs.
- The special Alberta Local Employment Transfer will provide \$200 million in one-time per capita grants to municipalities for local public works.
- This transfer represents the present value of the remaining payments that had been scheduled for the next five years under the Alberta Municipal Partnership for Local Employment. This year's transfer fulfills the government's commitment to AMPLE.
- In total, the government will support \$1.4 billion of capital construction this year, an increase of more than 15% from 1991-92. This will create jobs for Albertans.

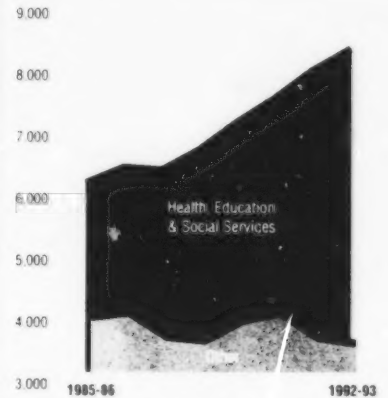
Protecting Essential Services

The Budget protects Albertans' essential services. Total funding for health, education and social services will increase by 5% this year.

Health, education and social services will account for 70% of program expenditure in 1992-93, compared to just over 60% in 1985-86.

However, resources are limited. Alberta taxpayers cannot afford open-ended programs where spending is driven solely by demand.

Funding Essential Services
(millions of dollars)



Health

- Health care is the largest expenditure area of the government. Over \$4.3 billion will be spent to meet the health needs of Albertans.
- Funding for home care will increase by nearly 10%.
- The government is working with health organizations and professionals to manage available resources more efficiently and target resources to the areas of greatest need.
- In accordance with the policy that health care premiums must cover 50% of the cost of basic health services, premiums will increase by less than 4% on July 1, 1992.

Education

- Total per capita spending on education in Alberta is the second highest in Canada.
- In 1992-93, provincial spending on basic and advanced education will exceed \$3 billion.
- New approaches are needed to improve the quality of education, within available resources.

**Total Education Expenditure
Per Capita, 1991-92**

(dollars)

2,500

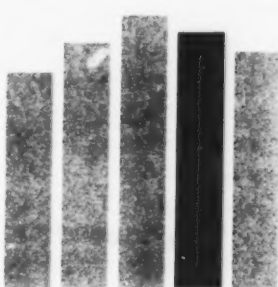
2,000

1,500

1,000

500

0



Source: Statistics Canada

Help for Those in Need

- Social service programs are facing serious cost pressures.
- Social assistance spending in 1992-93 is expected to reach \$940 million, an increase of more than \$220 million since the national recession began.
- Federal actions have shifted more of the cost of helping the unemployed to the province.
- Albertans' tax dollars must be directed to those most in need. Further restructuring of social service programs will be undertaken.

Other Priority Initiatives

- Additional funding will be provided for initiatives related to family violence, foster care reforms and community-based services to disabled persons.
- Monthly income support under the Widows' Pension and Assured Income for the Severely Handicapped will be increased.
- Funding will be provided to clean up abandoned industrial sites and conduct tests on possible Edmonton-area waste disposal sites.

Restoring Fiscal Balance

The objective of the government's fiscal strategy is to eliminate the deficit over the business cycle.

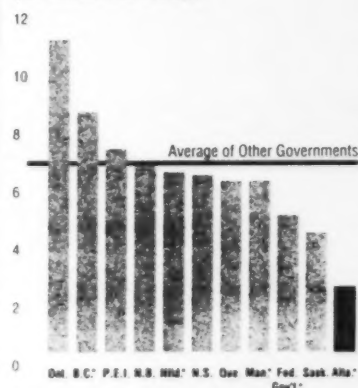
The deficit must be tackled with determination and a strong collective will. The problem cannot be solved overnight.

Best Expenditure Management Record

- The government's tough expenditure management has kept spending in check.
- Since 1985-86, program spending growth has been limited to just 2.3% per year. Other governments in Canada have increased their program expenditure almost three times faster, on average.
- In 1992-93, funding for 11 departments and 14 government agencies, boards and commissions will be cut.
- Program spending is budgeted to increase by 2.3% this year.

Program Expenditure Growth Since 1985-86

(per cent, annual average)

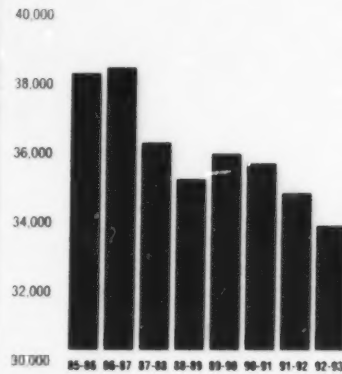


*1992-93 budgets; others latest available 1991-92 data

Internal Cost Reductions

- The freeze on hiring and management salaries will be extended to March 31, 1993. The five-year freeze on MLA salaries continues until March 31, 1994.
- Employment in the civil service will be cut by about 1,000 full-time equivalent positions. The civil service will be smaller in 1992-93 than it was 15 years ago.
- The Alberta government office in Los Angeles will be closed.
- Appointments to boards and task forces will be reduced by 10%, where permitted by legislation.
- Restraint on travel budgets will continue. Since 1985-86, expenditure on travel and hosting has been cut by more than 20%.
- Publication costs have been targeted for a 50% reduction.

Government Employment
(full-time equivalent positions)



Pension Reform

- Action is being taken to protect taxpayers from future public sector pension liabilities.
- After extensive consultations, agreement has been reached on the two largest plans.
- The unfunded liability of government-administered pension plans will be cut by \$4.3 billion, from \$5.5 billion to \$1.2 billion.

Legislated Spending Limits

- To reinforce its commitment to expenditure management, the government will introduce spending control legislation.
- Growth in ordinary program spending, including any in-year increase from special warrants, will be limited to 2½% in 1992-93, 2¼% in the following year, and 2% in 1994-95.
- The spending limits will be a maximum, not a floor.

Tough Choices Ahead

- Revenue growth of 6% per year, on average, is about the most that can be expected from growth in the economy. This will not be enough to balance the budget by 1996-97 if expenditure rises at the legislated rates.
- To balance the budget, a further fiscal correction of about \$275 million a year will be required for the next four years.
- After seven years of tight expenditure control, there are no easy places left to make large cuts in spending.
- Cost savings will have to be sought in all programs. The government will ask Albertans for their advice on what services should be reduced or ended.

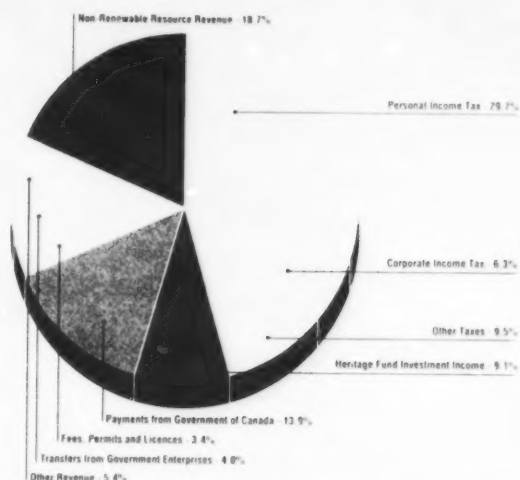
Summary Financial Plan

(millions of dollars)

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate*	1990-91 Actual
Budgetary Revenue				
Non-Renewable Resource Revenue	2,048	2,054	3,230	2,686
Other General Revenue	7,631	7,626	7,833	7,743
Heritage Fund Investment Income	1,005	1,465	1,555	1,337
Transfer from Alberta Municipal Financing Corporation	300	—	—	—
	<u>10,984</u>	<u>11,145</u>	<u>12,618</u>	<u>11,766</u>
Budgetary Expenditure				
Program	11,771	11,510	11,383	11,460
Alberta Local Employment Transfer	200	—	—	—
Valuation and Other Adjustments	52	88	152	404
Debt Servicing Costs	<u>1,250</u>	<u>1,130</u>	<u>1,050</u>	<u>1,131</u>
	<u>13,273</u>	<u>12,728</u>	<u>12,585</u>	<u>12,995</u>
Budgetary Surplus (Deficit)	<u>(2,289)</u>	<u>(1,583)</u>	<u>33</u>	<u>(1,229)</u>

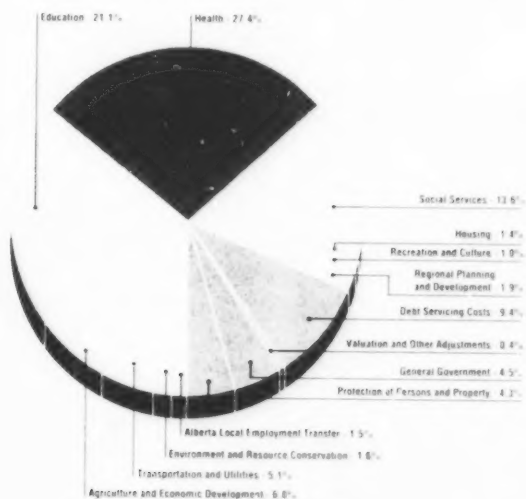
* Not adjusted for change in accounting policy

Budgetary Revenue By Major Source 1992-93 Estimate



Total Budgetary Revenue - \$10,984 Million

Budgetary Expenditure By Major Function 1992-93 Estimate



Total Budgetary Expenditure - \$13,273 Million

Major Provincial Tax Rates

	Personal Income Tax ^a				Retail Sales Tax	Gasoline Tax	Tobacco Tax	Health Premiums Individual/Family	Corporate Income Tax			Capital Tax		Payroll Tax (max.)
	Basic Rate	High Income Surtax	Flat Tax						Small Business Rate	M&P Rate	General Rate	General (max.)	Financial Institutions (max.)	
	(%)	(%)	(%)	(%)	(%)	(¢/litre)	(\$/pack of 25)	(\$/month)	(%)	(%)	(%)	(%)	(%)	(%)
British Columbia	52.5 ^b	20/30 ^c	—	6.0	10.0	2.63	35/70	—	10.0	—	16.0	0.3	3.0	—
Alberta	45.5 ^b	8.0	0.5	—	9.0	1.75	27/54	—	6.0	14.5 ^d	15.5	—	2.0	—
Saskatchewan	50.0	15.0	2.0	7.0	10.0	1.67	—	—	10.0	—	16.0	0.6	3.0	—
Manitoba	52.0	2.0	2.0	7.0	10.5	2.00	—	—	10.0	—	17.0	0.5	3.0	2.25
Ontario	53.0	14.0	—	8.0	14.7	1.63	—	—	10.0	14.5	15.5	0.3	1.0	1.95
Quebec	n.a.	n.a.	n.a.	8.0	14.5 ^e	1.72	—	—	3.75	—	6.9	0.56	1.12	3.75
New Brunswick	60.0	8.0	—	11.0	12.7	2.35	—	—	9.0	—	17.0	—	3.0	—
Nova Scotia	59.5	10.0	—	10.0	12.6	1.70	—	—	10.0	—	16.0	—	3.0	—
Prince Edward Island	59.5	10.0	—	10.0	11.8	2.25	—	—	10.0	—	15.0	—	3.0	—
Newfoundland	66.0 ^f	—	—	12.0	13.7	1.95	—	—	10.0	—	17.0	—	3.0	2.00

Rates for other provinces known as of March 27, 1992

^a The basic rate is a percentage of basic federal tax. The high income surtax is based on net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. The flat rate tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.

^b Rate on January 1, 1993 and is the effective rate on July 1, 1992 in British Columbia and Alberta. The 1992 annual rates are: British Columbia 52.0% (high income surtax 10/20%), Alberta 46.0%, Newfoundland 64.5%.

^c These provinces apply their retail sales taxes on top of this tax.

^d Rate will be 15.0% on July 1, 1992 and 14.5% on January 1, 1993.



RIGHT ADDRESS TALK

Alberta

THE HONOURABLE DICK JOHNSTON
Provincial Treasurer

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ADDRESS

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Presented by the Honourable Dick Johnston
Provincial Treasurer
in the Legislative Assembly of Alberta
on Monday, April 13, 1992



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Mr. Speaker, this budget addresses the uncertainty surrounding the economy and recognizes the fiscal realities that lie ahead.

Premier Getty promised an economic action plan this year to boost confidence and get the economy moving. This budget delivers on the Premier's commitment to Albertans.

This budget also sets out for Albertans the

magnitude of the fiscal problem we must face together. As well, strict new legislative controls on spending are proposed to reinforce our commitment to expenditure management. Within the proposed limits, this government, together with Albertans, will have to make difficult choices to bring spending in line with revenue.

To put the Alberta economy in perspective, we need to review the economic situation in the United States and the rest of Canada, our two largest trading partners.

North America Waiting for Recovery

The Canadian economy has been mired in recession since the spring of 1990. The Bank of Canada's single-minded fight against inflation in central Canada caused the current economic downturn.

Once the recession began, the Bank of Canada reduced interest rates too slowly. The imposition of the federal GST in January 1991 seriously damaged consumer confidence. It also imposed a real burden on businesses across Canada.

The Canadian economy did show some signs of growth at the time of my budget speech last year. However, the recovery faltered in the second half of 1991, dashing the hopes of unemployed Canadians.

The United States went into recession in late 1990, about six months after Canada. Their

downturn has been shorter and shallower than ours. However, the U.S. recovery, like Canada's, has been very sluggish. Economic weakness is also evident in the United Kingdom, Germany and Japan.

The gloomy news from outside the province has affected Albertans' confidence. As well, the weak performance of our major trading partners has directly affected Alberta.

Commodity Markets Weak

Depressed world commodity markets have also hurt our economy. International subsidy wars battered grain prices and pushed 1991 realized net farm incomes to their lowest level in 20 years.

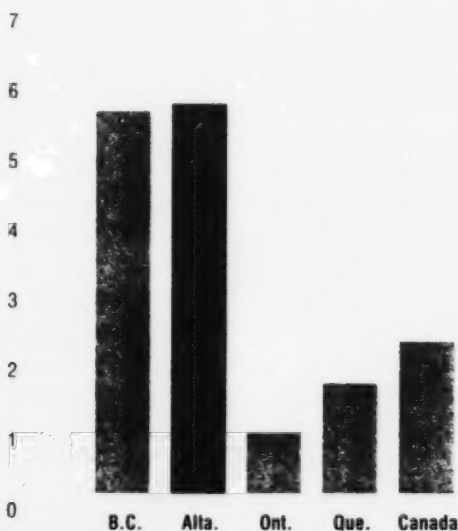
The energy industry had to cope with difficult circumstances in 1991. Over the last few years, expectations of rising natural gas prices have driven energy activity. The sharp decline in prices last year dramatically changed these expectations. Oil prices were also disappointing. In response, Alberta's oil and gas industry has laid off staff and cut back investment.

Alberta Continues to Grow

Despite these problems, Alberta has been able to avoid the worst of the North American recession. I estimate that Alberta's economy grew by 0.5% in 1991. **While modest, Alberta's growth compared very favourably to the 1.5% decline for Canada as a whole.**

Employment Income Growth, 1991

(per cent)



Source: Statistics Canada

The Alberta economy performed well in the ways that really count: generating income and creating employment for Albertans.

Last year, employment income in Alberta increased by 5.6% to over \$33 billion. This was the fastest rate of growth in Canada. It was more than double the Canadian average and six times the growth in Ontario.

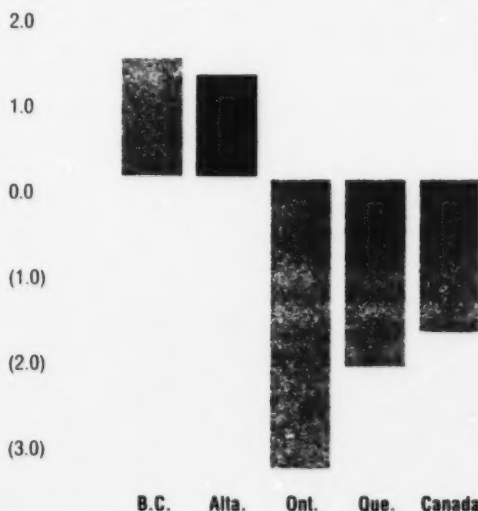
14,600 Jobs Created in 1991

Continued employment growth was a key reason for the relatively strong increase in income. The number of employed Albertans increased by 14,600 last year. This is 2,600 more than I forecast in last year's budget. **Alberta was one of only two provinces where employment increased in 1991.** Because of our favourable employment picture, net in-migration totalled almost 19,000 last year.

While employment grew at a reasonable pace, the labour force grew even faster. As a result, our unemployment rate averaged 8.2% in 1991, an increase of 1.2 percentage points.

Employment Growth, 1991

(per cent)



Source: Statistics Canada

Nevertheless, Alberta continues to have more of its working age population employed than any other province. Over 66% of all working age Albertans had jobs last year. This compares to less than 60% for Canada. **A record one and a quarter million Albertans were employed in 1991, an increase of 122,000 since 1985.**

As you can see, Mr. Speaker, despite some difficulties, there was a lot of good news for Alberta in 1991. Opportunities for 1992 and beyond are promising.

Farm Income Improves

For the first time in years, there are signs of improving conditions for our farmers. International wheat prices have increased by 30% over this time last year. Oilseed prices have also firmed. Livestock production should continue to grow, contributing to a diversified agriculture sector.

In 1992, there will be substantial payments to our farmers and ranchers from the Gross Revenue Insurance Plan, the Net Income Stabilization Account and other farm support programs. **Overall, realized net farm income should more than double from the very low levels of last year.**

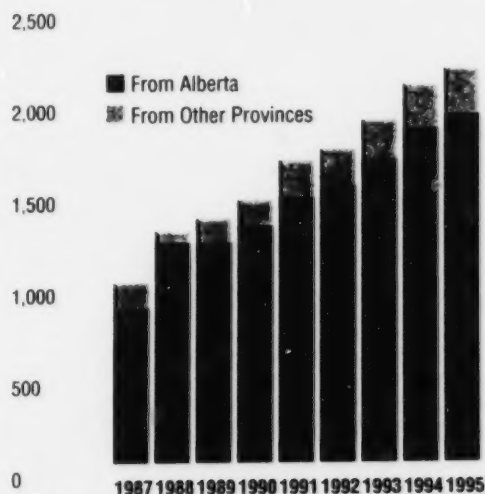
There is renewed hope for a GATT agreement that would significantly reduce agricultural export subsidies and further strengthen export prices. It appears likely that such an agreement would require changes to the Crow Benefit. We will continue to urge the federal government to pay the Crow Benefit directly to producers.

Natural Gas Exports Grow

The outlook for natural gas export volumes to the United States and to the rest of Canada continues to be promising. The environmental superiority of natural gas as a clean-burning fuel bodes well for future gas demand.

Natural Gas Exports to the United States

(billions of cubic feet)



Sources: Statistics Canada, Alberta Energy Resources Conservation Board, Alberta Energy and Alberta Treasury

The use of natural gas for co-generation by electric utilities is rising. Western Gas Marketing Ltd. has recently signed two supply agreements worth \$1.6 billion to Alberta producers over the next 20 years.

The Iroquois pipeline to the U.S. northeast is now complete. This pipeline has the capacity to ship over 200 billion cubic feet per year of Alberta gas to this rapidly growing market. I also expect that gas

export volumes to California will benefit from the construction of at least one additional pipeline.

Alberta's natural gas export volumes to the United States should increase in 1992 to 1.5 trillion cubic feet. By 1995, I expect that our U.S. gas exports will have grown to nearly 2 tcf, giving us close to a 10% share of the U.S. market.

Diversification Continues

Alberta's forestry industry will be another source of strength in 1992 and future years. Investment totalling \$1.9 billion has taken place in the past five years. In addition, Alberta Pacific is constructing a major pulp mill near Athabasca, at a cost of \$1.3 billion. After work on the pulp mill is completed in 1993, AIPac plans to build a paper mill worth \$300 million.

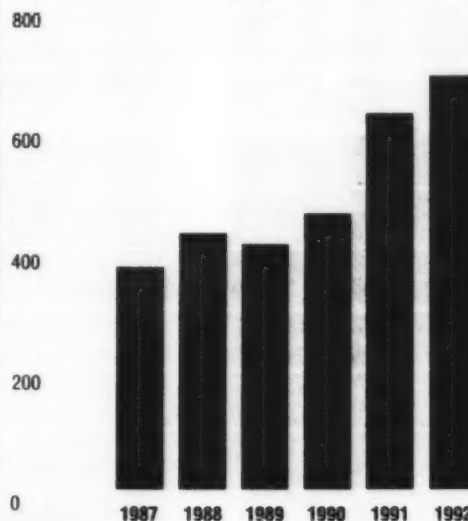
Alberta has emerged as one of Canada's major forestry producers. Using state-of-the-art technology, Alberta companies are minimizing the environmental impact of forestry projects.

I expect that the volume of pulp and paper exports will increase by 10% this year and by another 35% over the next two years. Also, prices have begun to recover from their 1991 lows. Prices increased earlier this year and are expected to increase again by the summer.

Our growing pulp and paper sector is generating substantial spin-off investment, further diversifying our economy. To meet the needs of the forestry industry, Alberta companies have invested about \$275 million in new chemical facilities. These plants will also supply producers outside the province.

Alberta's petrochemical industry continues to expand. Construction of a \$350 million gasoline additive plant near Edmonton has recently been completed. In Fort Saskatchewan, Dow Chemical is building an \$800 million, world-scale petrochemical

Alberta Pulp and Paper Exports (millions of 1986 dollars)



Source: Alberta Bureau of Statistics except for 1991 and 1992 estimates

facility to produce ethylene and its derivatives for domestic and international markets.

Exciting developments are also taking place in industries that are becoming new engines of growth for the evolving global economy. In the aerospace field, Pratt and Whitney Canada is building a plant in Lethbridge.

In the area of medical research, Alberta's accomplishments have been impressive.

- The University of Alberta has been named the top research centre for diabetes in North America by the U.S. Institutes of Health.
- The University of Calgary has opened a world-class centre for arthritis and joint injury research.
- An Alberta bio-technology company has announced an agreement with a major international firm to develop anti-cancer drugs.

Alberta's successes are due, in part, to this government's support for science and technology. The Alberta Heritage Foundation for Medical

Research, the Telecommunications Research Laboratories, the Networks of Centres of Excellence, and the Alberta Research Council all support pioneering research.

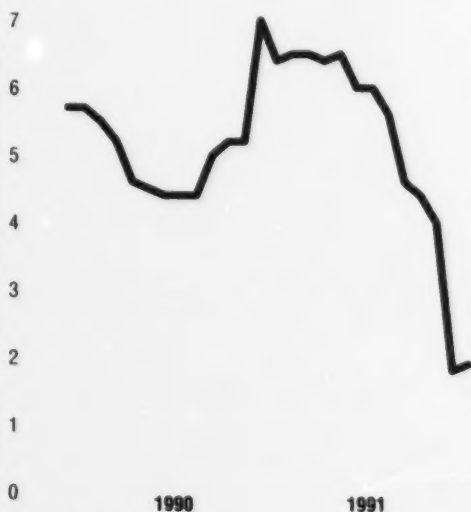
We are encouraging Alberta industry to develop and utilize advanced technology. The commercialization of research will generate high-skill, high-paying jobs for Albertans.

Lower Inflation and Interest Rates

Perhaps the most important economic development over the past year is the drop in inflation. In January 1991, following the introduction of the GST, the rate of inflation reached nearly 7%.

Since then, the inflation rate has fallen to about 2%, a level that Canadians have not seen

Canadian CPI Inflation
(per cent, year over year)



Source: Statistics Canada

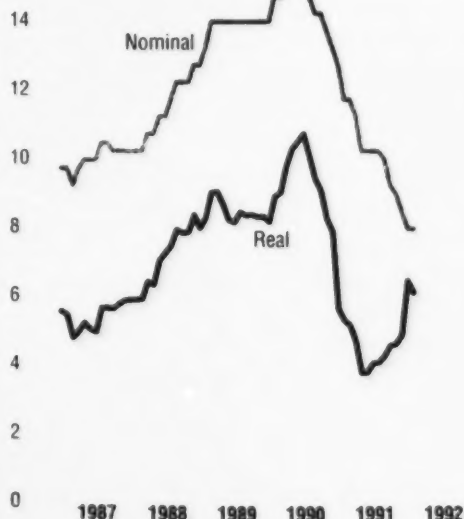
since the 1960s. Most inflationary pressures have subsided and virtually all analysts expect that inflation will remain at low levels for several years.

The Bank of Canada's fight against inflation, however, was waged at a very high cost. Over 350,000 jobs have been lost in Canada since the recession began.

We must ensure that we do not give up the inflation gains that have cost unemployed Canadians so much. Some recent public sector wage settlements in Alberta have not reflected the new low-inflation environment. **The public sector must not trigger a return to high inflation and thereby undermine Alberta's competitiveness.**

Lower inflation and the weak Canadian economy have led to a sizeable decline in interest rates. Since the summer of 1990, the prime rate for business loans has dropped by over 6 percentage points.

Canadian Prime Interest Rate
(per cent)



Sources: Bank of Canada and Alberta Treasury

The decline in nominal interest rates has allowed the dollar to fall from a high of over 89 cents U.S. to around 84 cents. The lower dollar will benefit Alberta's export-oriented economy. However, it remains over-valued relative to its U.S. counterpart.

Of greater concern is the high level of inflation-adjusted interest rates. Canada's real rates have risen sharply in recent months and are among the highest in the major industrialized nations. High real rates discourage industry from making the investments needed to respond to the challenges of the global marketplace.

I will continue to press the federal government to bring about lower interest rates and allow a lower exchange rate so that Canada's economy can realize its full potential.

The 1992 Outlook

The fundamentals for a modest economic recovery in North America are now in place. Unless there are further adverse developments in interest rates, I expect the Canadian and U.S. economies to strengthen by the summer of this year. Overall, the economies of both countries should grow by 2% in 1992.

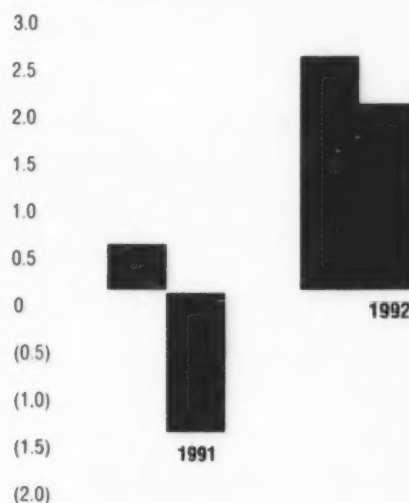
The Alberta economy should also strengthen this year. Exports, responding to the recoveries in the United States and the rest of Canada, are expected to be a significant source of strength. Natural gas will lead export growth.

Alberta's diversification will continue in 1992. I expect that Alberta businesses outside the energy sector will increase their real investment by nearly 10% this year. Oil and gas investment, however, is

Real Economic Growth

(per cent, annual average)

■ Alberta ■ Canada ■ U.S.



projected to decline by over 15%. As a result, total business investment is expected to increase by about 1%.

The outlook for consumer-related spending should be brighter, provided Albertans' confidence in the economy improves. Lower interest rates have made houses, automobiles and other consumer durables more affordable. The recently announced reductions in down payment requirements and changes in RRSPs have also made it easier to buy a house.

Taking into account these factors and the initiatives that I will be announcing in this budget, I **expect Alberta's real Gross Domestic Product to increase by 2.5% in 1992, to nearly \$67 billion. Our economy should create over 15,000 new jobs.**

Confidence is critical to economic growth this year. Albertans are taking a cautious approach to spending because they are concerned about their jobs. Businesses are waiting for better sales before they expand employment.

Action is required to inject confidence and create jobs. However, the government faces a very difficult fiscal situation.

Resource Revenue Shock

Alberta suffered a resource revenue shock last year.

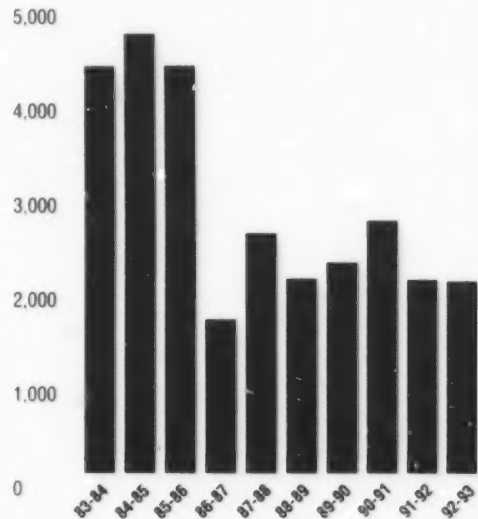
Natural gas prices were the major disappointment. Most analysts had expected gas prices to rebound last year. Instead, the average Alberta wellhead price dropped sharply to about \$1.30 per thousand cubic feet, the lowest level in 15 years. Prices were almost 25% lower than estimated in last year's budget.

Oil prices averaged about \$20.75 per barrel in U.S. funds, well below the budget estimate. The overvalued Canadian dollar compounded the weakness in energy prices. Reflecting the problems in the energy sector, bonuses and sales of Crown leases plummeted and corporate income tax revenue dropped sharply.

Non-renewable resource revenue in 1991-92 was down nearly \$1.2 billion from the 1991 Budget estimate and corporate income tax revenue was \$200 million lower. As a result, the deficit was over \$1.5 billion last year.

Resource Revenue

(millions of dollars)



Our 1992-93 fiscal plan assumes that there will be no recovery in resource revenue. A lower exchange rate and higher natural gas sales volumes will assist resource revenue this year. However, oil prices are likely to average only \$19 per barrel, down over 8% from last year. Natural gas prices are expected to decline by a similar percentage, to about \$1.20 per thousand cubic feet. This means that the deficit will increase in 1992-93.

Choosing the Sensible Course

Some would argue that drastic action is required to offset the unexpected drop in resource revenue. That would be unwise this year. This government will not hurt Albertans by sharply raising taxes or slashing health, education or seniors' programs when the economy is struggling.

Others would argue that massive government spending is required to strengthen Alberta's economy. That would be an even more serious mistake. We must not compound the fiscal problems resulting from low resource revenue by abandoning this government's tight control of spending. As Albertans and other Canadians have learned only too well, it is easy to add spending but very difficult to cut it.

This government has chosen the sensible course for these difficult times. As I said earlier, the

world economic slowdown has affected our economy and eroded Albertans' confidence. In addition, the resource revenue collapse has led to a serious fiscal imbalance. We have adopted a dual strategy to deal with the two problems — a struggling economy and large deficits.

- **Our economic strategy** addresses the current economic concerns of Albertans. This budget announces Economic Agenda '92. Our Agenda has four initiatives to build confidence and create jobs. To keep the economy growing, we will be forced to tolerate a high deficit this year.
- **Our fiscal strategy** addresses the fiscal imbalance over the medium term. We will introduce firm spending limits, starting this year. We will continue to restructure programs and cut internal government operations.

More could not be done this year without jeopardizing the economy. Tough choices lie ahead as we move to restore fiscal balance over the business cycle.

I will first describe the details of Economic Agenda '92, our four-point plan to strengthen the Alberta economy and create jobs for Albertans.

#1: A Tax Cut for Albertans

At the First Ministers' Conferences on the Economy, Premier Getty proposed a cooperative approach among governments to spark economic growth. He was the only national leader to call for a personal income tax cut. The federal government responded by reducing federal income taxes in its February budget.

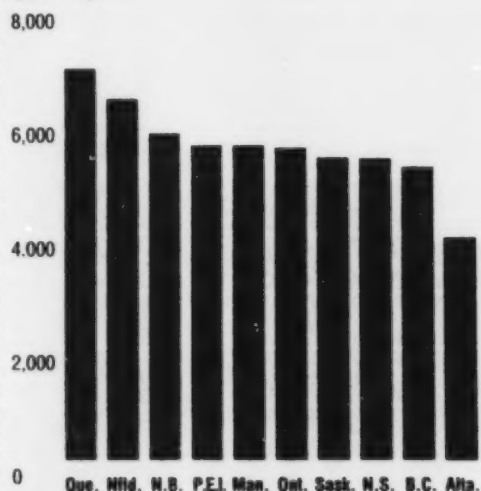
Mr. Speaker, this budget cuts provincial personal income taxes for Albertans. The Alberta basic income tax rate will be effectively reduced by one percentage point, starting with July pay cheques. Our generous Selective Tax Reduction will provide additional tax benefits to low-income Albertans.

Our objective is to stimulate the economy as quickly as possible. **This government will put \$35 million back in Albertans' pockets in the second half of 1992.** The combined provincial and federal tax reduction will total \$65 million this year.

In 1993, our tax cut will be worth over \$70 million to Albertans. **The Alberta and federal tax cuts combined will amount to over \$200 million next year.**

This will be a powerful confidence-builder for Alberta consumers. Albertans will have more money

Comparison of Provincial Taxes Payable* (dollars)



*Family of four, two income earners, two children ages 8 and 10 years. Gross income of \$55,000. Includes provincial personal income tax, sales tax, health care premiums, payroll tax, tobacco tax, fuel tax and hotel room tax. Other provinces as of March 27, 1992.

to spend. More spending will mean more sales for businesses and more jobs for Albertans. We will put dollars in the hands of Albertans and let them make their own spending decisions.

Albertans already pay the lowest personal income taxes in Canada. They do not pay a provincial retail sales tax. This budget enhances Albertans' already substantial tax advantage. Alberta will continue to be the best place in Canada to live and work.

#2: Improving Alberta's Competitiveness

The intense global competition for manufacturing jobs requires that our corporate tax rates be competitive. Over the last few years, the competitiveness of Canada's corporate tax system has been eroded.

I am encouraged by the measures in the recent federal budget that reduce taxation of manufacturers and processors. Unfortunately, some provinces are likely to move in the other direction this year. One already has.

This government will spur investment and the creation of quality jobs for Albertans. **The corporate income tax rate for large manufacturers and**

processors will be cut from 15.5% to 14.5% in two stages. The reduction will be half a percentage point on July 1, 1992 and a further half a point on January 1, 1993. Smaller manufacturers will continue to benefit from Alberta's 6% tax rate for small businesses.

We will also increase the capital cost allowance rate on purchases of manufacturing machinery and equipment from 25% to 30%, effective February 26, 1992. This parallels the change announced in the recent federal budget.

Our measures will reduce taxes on Alberta manufacturers by about \$7 million in 1992-93 and \$15 million next year. This government is improving the competitiveness of our corporate income tax system.

Major Provincial Tax Rates

	Personal Income Tax*			Retail Sales Tax	Gasoline Tax	Tobacco Tax	Health Premiums Individual/Family	Corporate Income Tax			Capital Tax		Payroll Tax (max.)
	Basic Rate	High Income Surplus	Flat Rate Tax					Small Business Rate	M&P Rate	General Rate	General (max.)	Financial Institutions (max.)	
	(%)	(%)	(%)	(%)	(\$/litre)	(\$/pack of 25)	(\$/month)	(%)	(%)	(%)	(%)	(%)	(%)
British Columbia	52.5 ^a	20/30 ^b	—	6.0	10.0	2.63	35/70	10.0	—	16.0	0.3	3.0	—
Alberta	45.5 ^b	8.0	0.5	—	9.0	1.75	27/54	6.0	14.5 ^c	15.5	—	2.0	—
Saskatchewan	50.0	15.0	2.0	7.0	10.0	1.67	—	10.0	—	16.0	0.6	3.0	—
Manitoba	52.0	2.0	2.0	7.0	10.5	2.00 ^c	—	10.0	—	17.0	0.5	3.0	2.25
Ontario	53.0	14.0	—	8.0	14.7	1.63 ^c	—	10.0	14.5	15.5	0.3	1.0	1.95
Quebec	n.a.	n.a.	n.a.	8.0	14.5 ^c	1.72 ^c	—	3.75	—	6.9	0.56	1.12	3.75
New Brunswick	60.0	8.0	—	11.0	12.7	2.35 ^c	—	9.0	—	17.0	—	3.0	—
Nova Scotia	59.5	10.0	—	10.0	12.6	1.70 ^c	—	10.0	—	16.0	—	3.0	—
Prince Edward Island	59.5	10.0	—	10.0	11.8	2.25	—	10.0	—	15.0	—	3.0	—
Newfoundland	66.0 ^b	—	—	12.0	13.7	1.95 ^c	—	10.0	—	17.0	—	3.0	2.00

Rates for other provinces known as of March 27, 1992

- * The basic rate is a percentage of basic federal tax. The high income surtax is based on: net income in Manitoba, the sum of basic tax and flat tax in Saskatchewan and basic tax in the other provinces. The flat rate tax is a percentage of taxable income in Alberta and net income in Saskatchewan and Manitoba. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers. Quebec's personal income tax system is not directly comparable to those in other provinces.
- ^b Rate on January 1, 1993 and is the effective rate on July 1, 1992 in British Columbia and Alberta. The 1992 annual rates are: British Columbia 52.0% (high income surtax 10/20%), Alberta 46.0%, Newfoundland 64.5%.
- ^c These provinces apply their retail sales taxes on top of this tax.
- ^d Rate will be 15.0% on July 1, 1992 and 14.5% on January 1, 1993.

We are concerned, however, about the overall burden of commercial and industrial property taxes levied by municipalities, school boards and the provincial School Foundation Program Fund. Alberta is the only province where machinery and equipment is included in the property tax base.

We are reviewing possible changes as part of the Local Government Financing Review. **As a first step, this government has frozen its mill rate on commercial and industrial property for this year.**

#3: Support for Small Businesses and Rural Alberta

This government is committed to working in partnership with our farmers, ranchers and businesses.

In November 1991, we announced additional support, over sixteen months, for our agriculture industry. Through the end of 1992-93, Alberta's commitment to the Net Income Stabilization Account program will cost \$40 million. We are providing nearly \$60 million to extend the Crow Benefit Offset program. An additional \$23 million has been committed to maintain grants under the Alberta Farm Fuel Distribution Allowance at 4 cents per litre for gasoline and 10 cents per litre for diesel fuel.

In this budget, we will provide \$91 million for Alberta's contribution to the Gross Revenue Insurance Program. This is nearly double last year's funding. **Our total support for agriculture will exceed \$730 million in 1992-93.**

Last November, we also introduced royalty holidays for oil wells drilled by March 31, 1993. By encouraging oil exploration and development, this program is assisting Alberta's energy producers and service companies.

In this budget, I am pleased to announce Alberta's participation in the new Western Economic Partnership Agreements. **A total of \$120 million will be provided over the next four years, in cooperation with the federal government, to encourage further diversification of our economy.** This budget includes \$25 million for the first year of the program.

The agreements will target support to selected priorities. Agriculture and food processing, and geological research will be encouraged. Our expanding tourism, culture and communication technology industries will be assisted. Funding will be provided for business, community and northern development. Reforestation and forest management will be expanded. Funding allocations for some of the agreements are still subject to final federal approval.

This initiative will strengthen rural Alberta. Small businesses will be helped to expand their markets and take advantage of new opportunities.

Western Economic Partnership Agreements

(proposed funding allocation, millions of dollars)

Agriculture and Food Processing	20
Business and Community Development	24
Communications Technology	10
Cultural Industries	7
Mineral Development	10
Northern Development	9
Reforestation and Forest Management	30
Tourism Marketing	10
	<u>120</u>

#4: Capital Works Job Creation

At the First Ministers' Conferences, Premier Getty proposed that work-intensive capital projects be accelerated to provide jobs as quickly as possible. Alberta's municipal leaders have also recommended that high priority be given to investment in local public works.

Mr. Speaker, I am pleased to announce a special Alberta Local Employment Transfer. **This year, we will provide \$200 million in one-time per capita grants to municipalities to support infrastructure improvements and increase employment.**

This transfer represents the present value of the remaining payments that had been scheduled for the next five years under the Alberta Municipal Partnership for Local Employment. AMPLE has already provided \$276 million over the last six years to our local partners. This year's transfer fulfils our commitment to AMPLE.

To finance the Alberta Local Employment Transfer and help boost the economy, we will transfer a surplus of \$300 million from the Alberta Municipal Financing Corporation to the General Revenue Fund. This is the right time to use the surplus retained earnings to create jobs for Albertans.

Other major capital projects will also add to construction employment. We will provide \$68 million to continue construction of the new Grant MacEwan Community College campus in Edmonton and the Professional Faculties building at the University of Calgary.

Over \$175 million will be spent to construct and modernize health facilities. Redevelopment of the Royal Alexandra Hospital and the Cross Cancer Institute in Edmonton, and the Holy Cross Hospital in Calgary will continue.

We will spend \$61 million on housing projects for senior citizens and low-income Albertans. Over \$40 million of this expenditure will take place in rural Alberta, as will \$66 million in spending on irrigation and water management projects.

In total, this government will support \$1.4 billion of capital construction this year, an increase of more than 15% from 1991-92.

Economic Stimulus for Alberta

Economic Agenda '92 will provide economic stimulus at the time when it is needed. We are assisting entrepreneurs and rural Albertans. We are improving the tax competitiveness of Alberta manufacturers. We are accelerating local employment initiatives. We are cutting Albertans' taxes.

Our economic action plan will protect current jobs and provide new jobs for Albertans.

This budget also protects Albertans' essential services. **Total funding for health, education and social services will increase by 5% this year.**

As announced in January, health care institutions will receive a 4% grant rate adjustment in 1992-93. Schools and post-secondary institutions will benefit from a 3% grant rate increase.

These increases exceed the expected inflation rate of about 2%. We are giving health and education organizations time to prepare for the new fiscal realities.

Our resources are limited. Alberta taxpayers cannot afford open-ended programs where spending is driven solely by demand. We must continue to restructure our programs to control costs.

Health Care — Maintaining Access and Affordability

Health care is the largest expenditure area of the government. **In 1992-93, over \$4.3 billion will be spent to meet the health needs of Albertans.**

Health costs across Canada have more than doubled over the last ten years. This rapid increase is threatening Canada's health care system. The problem has been compounded by the significant decline in federal support for health care.

Our government is committed to protecting the universality of Alberta's health care system. This requires action to ensure that our system remains affordable. We are working with health organizations and professionals to manage available resources

more efficiently and target those resources to the areas of greatest need.

Progress is being made. Two years ago, we began implementing our new Acute Care Funding Plan. The plan reallocates funding among hospitals based on the severity of patient need and rewards hospitals that make the most effective use of their resources. As a result, hospitals are consolidating administrative functions, eliminating unnecessary duplication of services and reassessing their capital spending requests.

Preventive and community care programs offer cost-effective alternatives to institutional care. In this budget, we will increase funding for home care by nearly 10% to \$72 million.

The government has recently reached an agreement with the Alberta Medical Association that puts an expenditure limit on insured medical services. The government and physicians will work together to control spending pressures while protecting the quality of care Albertans receive.

In accordance with our policy that health care premiums must cover 50% of the cost of basic health services, premiums will increase on July 1, 1992. The new rates will be \$27 per month for singles and \$54 per month for families. This is an increase of less than 4%. Seniors and low-income Albertans will remain exempt from paying premiums.

Action is being taken to ensure an affordable and more efficient system of health services in Alberta — a system that will meet changing needs in the 1990s.

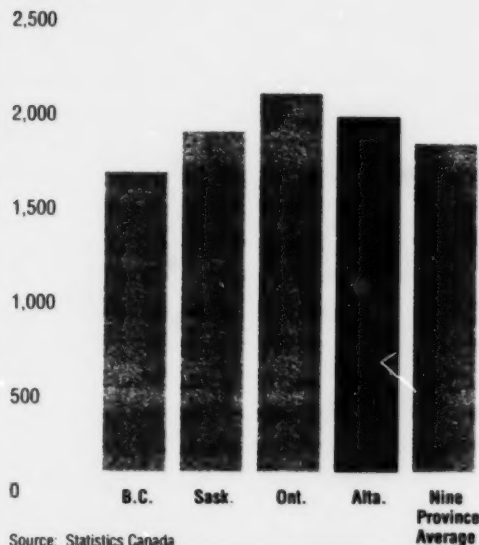
Education — Meeting the Challenges

Quality education is critical to our long-term prosperity. Educational institutions must ensure that students receive the training needed to succeed in the rapidly changing economy.

Canada spends more of its national income on education than almost all other industrialized countries. Alberta's total spending on education is the second highest per capita in Canada.

Total Education Expenditure Per Capita, 1991-92

(dollars)



This government's funding of basic and advanced education will exceed \$3 billion in 1992-93. We must continue to improve the results that Albertans are getting for their tax dollars.

Provincial funding for education will be increasingly tied to performance. Far too many Alberta students fail to complete even a high school education.

Beginning with the 1992-93 school year, the province will introduce a two-count system for payments to school boards. Grants will be based on student enrolment not only at the start of the year but also near the end of the year. This will provide an incentive to keep students in school.

We will also develop a new student information system. The system will enable the province and school boards to track and assess student performance more accurately.

This government is encouraging increased private support of our post-secondary institutions. The Universities Foundations Act, which was passed last year, provides more generous tax incentives for contributions for universities. Legislation will be introduced in this session to extend these provisions to public colleges, technical institutes and the Banff Centre.

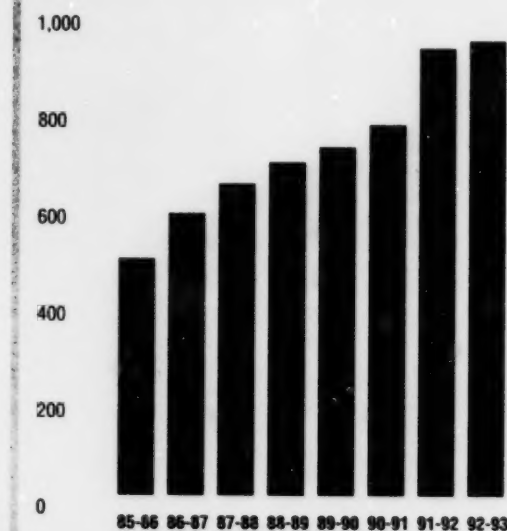
We must find new approaches that will improve the quality of education and training in Alberta, within available resources.

Help for Those in Need

Our social assistance program is facing serious cost pressures due to high in-migration and unemployment. **Social assistance spending in 1992-93 is expected to reach \$940 million**, an increase of more than \$220 million since the national recession began.

The federal government has shifted more of the cost of helping the unemployed to the provinces. Ottawa has restricted eligibility for unemployment insurance and imposed a ceiling on federal cost-sharing of social assistance programs in Alberta, British Columbia and Ontario. The total cost to Alberta of the federal cap on social assistance payments will exceed \$80 million by the end of this year.

Social Assistance Expenditure (millions of dollars)



This government will continue to help Albertans in need. However, our ability to pay is not without limit. Available resources will have to be stretched further.

We must continue to restructure our programs to keep them affordable. Changes to benefits under the Supports for Independence program will be implemented later this year, while continuing our commitment to provide a basic level of support to those Albertans most in need.

At the same time, we must make better use of our social assistance dollars to encourage clients to re-enter the workforce. Disincentives and barriers to training and employment will be addressed.

Alberta seniors receive an unmatched range of programs and services. Many of these programs are unconditional and benefit seniors regardless of their income or need. As our population ages, the costs of

these demand-driven programs are rising. At the same time, more people are retiring with comfortable incomes and considerable assets.

We believe that, after consultations with seniors, our programs can be adjusted in ways to ensure that our available funding is better targeted to those who require assistance.

Albertans' tax dollars must be directed to those most in need.

Meeting Special Needs

Despite our limited resources, some special priorities require funding this year. In this budget, we will:

- increase funding of initiatives to deal with family violence by 25%, to \$8.5 million,
- provide \$2.4 million more to continue foster care reforms,
- increase by almost \$10 million income support under the Widows' Pension and Assured Income for the Severely Handicapped programs,
- budget \$3.6 million more to expand community-based services to disabled persons,
- provide \$2 million to assist the Town of Peace River and the residents affected by the recent flood, and
- add over \$6 million in funding to clean up abandoned industrial sites and conduct testing on possible Edmonton-area waste disposal sites.

Directing Resources to Essential Services

This government has reallocated resources to Alberta's essential services. **Spending on health, education and social services will rise by almost \$350 million this year, bringing the total increase since 1985-86 to nearly \$2.2 billion.** These programs now account for 70% of our program expenditure compared to just over 60% seven years ago.

Expenditure on other programs and government administration has been reduced by over \$400 million since 1985-86.

Funding Essential Services

(millions of dollars)

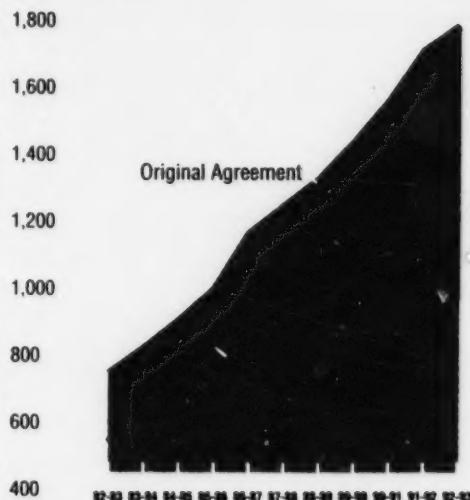
	1985-86	1992-93	Change	Annual Growth (per cent)
Essential Services				
Health	2,580	3,644	1,064	5.1
Education	2,368	2,807	439	2.5
Social Services	1,145	1,811	666	6.8
	6,093	8,262	2,169	4.4
All Other Spending	3,920	3,509	(411)	(1.6)
Program Spending	10,013	11,771	1,758	2.3

Cuts in Federal Support for Essential Programs

Over the past decade, the federal government has offloaded part of its deficit problem onto the provinces. Ottawa has unilaterally cut federal cash transfers for health and advanced education on numerous occasions and has discriminated against provinces like Alberta on social assistance payments.

Federal Cash Transfers to Alberta for Health and Post-Secondary Education

(millions of dollars)



In 1992-93 alone, these federal actions will cost the Alberta government over \$850 million in lost revenue. This severe erosion of federal support for Canada's most important programs is unacceptable.

Clearly, new arrangements for fiscal federalism are required. Provinces must have the means to fulfil their constitutional responsibilities. The federal government has ignored provincial demands for reforms.

I will continue to press hard for a transfer of additional tax room from the federal government to the provinces in exchange for a reduction in cash transfers. This would place our essential programs on a more secure and stable financial basis.

I have described our economic strategy and plans to protect essential services in this transition year. I will now turn to the second major focus of this budget — restoring fiscal balance.

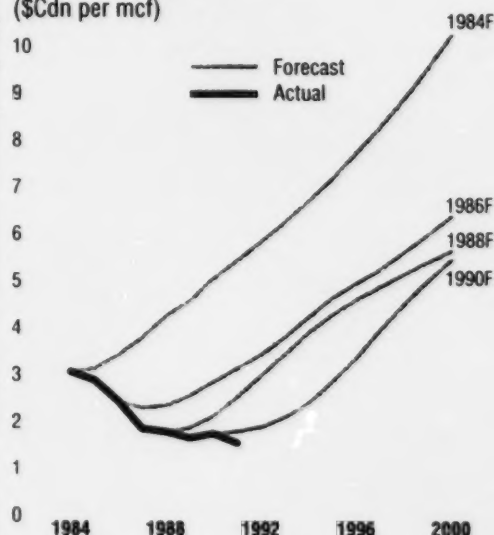
The objective of our fiscal strategy is to bring expenditure in line with revenue over the medium term. As I said earlier, the 1991-92 deficit was over \$1.5 billion. The deficit will increase again in 1992-93, to nearly \$2.3 billion. This is clearly a very serious problem. The deficit must be tackled with determination and a strong collective will. The problem cannot be solved overnight.

The key difficulty has been resource revenue. After the energy price collapse in 1986-87, private sector experts and our own energy department expected that oil and natural gas prices would return to an upward track within a year or two.

By 1990-91, resource revenue had recovered by about \$1 billion, or 67%, from the low of four years earlier. We expected a further increase last year. This was based on the widely held view of

Private Sector Natural Gas Price Forecasts

(\$Cdn per mcf)



Source: PowerWest Financial Ltd., "Canadian Upstream Oil & Gas Industry Profitability"

Summary Financial Plan

(millions of dollars)

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate*	1990-91 Actual
Budgetary Revenue				
Non-Renewable Resource Revenue	2,048	2,054	3,230	2,686
Other General Revenue	7,631	7,626	7,833	7,743
Heritage Fund Investment Income	1,005	1,465	1,555	1,337
Transfer from Alberta Municipal Financing Corporation	300	—	—	—
	<u>10,984</u>	<u>11,145</u>	<u>12,618</u>	<u>11,766</u>
Budgetary Expenditure				
Program	11,771	11,510	11,383	11,460
Alberta Local Employment Transfer	200	—	—	—
Valuation and Other Adjustments	52	88	152	404
Debt Servicing Costs	1,250	1,130	1,050	1,131
	<u>13,273</u>	<u>12,728</u>	<u>12,585</u>	<u>12,995</u>
Budgetary Surplus (Deficit)	<u>(2,289)</u>	<u>(1,583)</u>	<u>33</u>	<u>(1,229)</u>

* Not adjusted for change in accounting policy.

energy experts that natural gas prices had bottomed out and would rebound in 1991-92.

The experts were wrong and so were we. Rather than increasing, natural gas prices dropped sharply last year. In addition, oil prices weakened more than expected in the wake of the Gulf War. As a result, resource revenue fell by over \$600 million in 1991-92, wiping out more than half the gain achieved since the revenue collapse of 1986-87.

Resource revenue will be a serious problem again this year. I do not expect any recovery from the decline of almost 25% last year. Resource revenue in 1992-93 is forecast to be about the same as it was in 1988-89.

Other general revenue is also expected to be flat this year. Heritage Fund investment income will be lower because interest rates have fallen and we are not planning any major privatization initiatives.

Excluding the Alberta Municipal Financing Corporation transfer, total revenue is forecast to fall by \$461 million in 1992-93, on top of the

\$621 million decline last year. Total revenue will be almost 10% lower than it was two years ago.

Alberta is not alone in facing budget problems. Virtually every Canadian government is confronting a difficult fiscal situation. However, the reasons for their deficits are not the same as in Alberta.

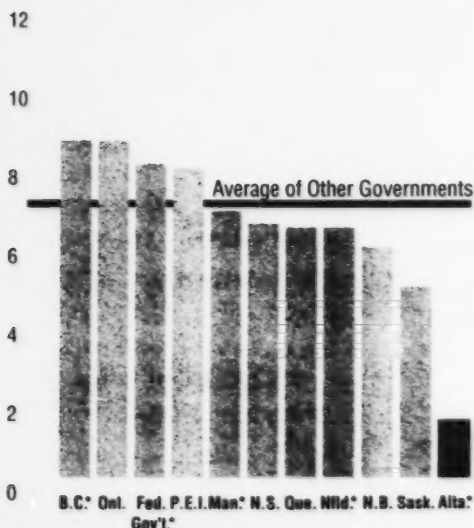
The revenue of other governments has grown, on average, by 7% per year since 1985-86, compared to an increase of just 1.5% per year in Alberta. The strong revenue growth elsewhere did not lead to balanced budgets because program expenditure grew almost as fast as revenue.

Expenditure Management Record

This government's tough expenditure management has kept spending in check. **Since 1985-86, we have limited program spending growth to just 2.3% per year.** Other governments in

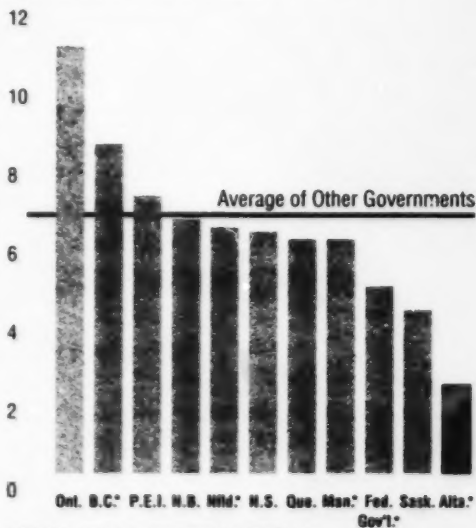
Revenue Growth Since 1985-86

(per cent, annual average)



Program Expenditure Growth Since 1985-86

(per cent, annual average)



Canada have increased their program expenditure almost three times faster, on average.

We held program spending almost flat last year. It was only 0.4% above the 1990-91 level, due in part to our November restraint program.

This year, program spending will increase by 2.3%. We are providing the funding necessary to stimulate the economy and support our essential social programs. Spending growth in 1992-93 will be the same as the average annual increase in our program expenditure since 1985-86.

This government has the best expenditure management record in Canada. We have worked hard to get the best value for the taxpayer's dollar.

Hiring and Salary Freeze

In November 1991, when it was clear that a fiscal correction was necessary, Premier Getty announced an in-year restraint program to control government administrative costs.

The measures started at the top. The salaries and allowances of MLAs, Cabinet Ministers and the Premier have been frozen since April 1, 1989. The freeze was extended to March 31, 1994. As a result, the salaries and allowances of elected officials will be frozen for a total of five years.

Other actions included:

- a one-year freeze on civil service management salaries,
- a one-year freeze on hiring for salaried positions, and
- cuts in discretionary spending, including travel and hosting.

In this budget, I am announcing further actions to cut internal government operations as part of our plan to restore fiscal balance.

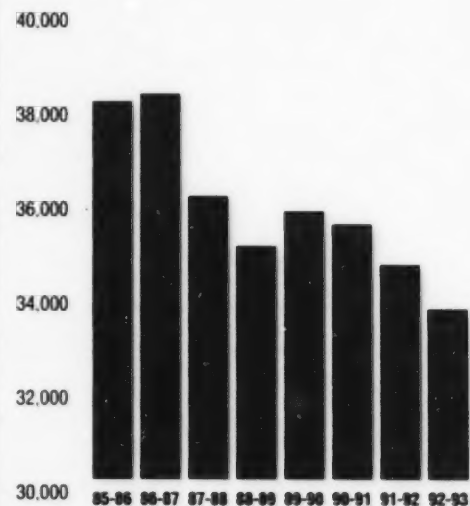
The hiring freeze and management salary freeze will be extended to March 31, 1993.

1,000 Government Positions Cut

Employment in the civil service will be cut by about 1,000 full-time equivalent positions this year. Because of the hiring freeze, we expect only minimal layoffs.

More than 2,000 permanent positions, for which funding was cut in this or previous years, will be eliminated. This will ensure that the positions are not filled when the hiring freeze ends.

Government Employment (full-time equivalent positions)



Including this year's reduction, provincial government employment will have been cut by close to 4,400 full-time equivalent positions since 1985-86. **The Alberta civil service will be smaller in 1992-93 than it was 15 years ago.**

Wage Restraint

All public sector employers and employees must recognize the new low-inflation environment and act accordingly. This government has shown leadership by its freeze on the salaries of both elected and management officials.

I welcome the actions by some local authorities that followed our lead. However, a few school boards have agreed to wage increases far above inflation. A recent arbitration award in the health sector is also a concern.

These contracts must not set a pattern for other public sector wage increases. This government will not ask provincial taxpayers to fund excessive contract settlements by local authorities.

Pension Reform

Last July, the government released its proposals for reforms to the five pension plans administered by my department. After extensive consultations, the government, pension boards and major stakeholders reached agreement last month on changes to the two largest plans: the Local Authorities and Public Service pension plans. Consultations are continuing on changes to the other three government-administered pension plans.

Updated actuarial estimates for all plans and the new financing agreements for the two largest plans will cut the unfunded liability from \$3.5 billion to \$1.2 billion, a reduction of \$4.3 billion. This major accomplishment enhances Alberta's fiscal position and safeguards provincial taxpayers.

Changes are also being made to the MLA pension plan. Pension contributions by MLAs will be increased by 33%. Former Cabinet Ministers and other elected officials will not be allowed, in the future, to receive Alberta pensions while still sitting in the Legislative Assembly or holding a government appointment.

Government Offices and Agencies Cut

To downsize government, we are reviewing the need for existing offices, boards, agencies, commissions, committees and task forces.

Last year, we discontinued the Electric Energy Marketing Agency, the Advisory Council on Career Development and the McDougall Centre Advisory Committee. We also consolidated several boards and committees with other organizations. These included the Historic Sites Board, the Alberta Fish and Wildlife Advisory Committee, the Alberta Integrated Planning Advisory Committee and three arts foundations.

This year, we will close the Alberta government office in Los Angeles. In addition, all appointments to boards and task forces will be reduced by 10%, where permitted by legislation.

Travel and Hosting Spending Down

In 1985-86, expenditure on travel and hosting totalled \$66 million. **Despite significant increases in prices, we have cut travel and hosting by more than 20%, or \$14 million.**

Further steps will be taken in 1992-93 to control travel costs. **All out-of-country travel by Ministers or civil servants will require approval by Treasury Board.** Vehicle mileage allowances will be frozen. The restraint on travel spending announced in November will continue in the 1992-93 fiscal year.

Publication Costs Slashed

The government produces a wide range of publications, including annual reports of government departments, agencies and Crown corporations. All publications will be reviewed to determine if they are still needed.

Production costs will be cut. Glossy, full-colour annual reports will be eliminated. The number of copies printed will be reduced.

Our objective is to reduce the cost of government publications by 50%. We will balance the need to reduce costs with the public's need for information on government programs and operations.

Reducing the Cost of Government

Overall, funding for 11 departments and 14 government agencies, boards and commissions will be cut in 1992-93. **Half of the government departments will spend less than they did in 1985-86.**

Legislated Spending Limits

To reinforce our commitment to expenditure management, this government will introduce spending control legislation during this session. The legislation will set firm limits on government spending.

Growth in ordinary program spending, including any in-year increases from special warrants, will be limited to 2½% this year, 2¼% next year and 2% in 1994-95.

In each year's budget, the increase in ordinary program expenditure over the previous year's forecast will have to be less than the legislated limit. After the budget is approved, special warrants will not be allowed to increase spending authority beyond the limit.

If a spending increase that would exceed the annual limit is required, the government would have two choices: reduce other spending authorizations to offset the increase or recall the Legislative Assembly to approve a special supplementary appropriation.

The expenditure limits will ensure that Alberta does not fall into the trap of spending more when revenue improves. We will not allow what happened to other governments to happen here.

Additional revenue will go directly to improving the bottom line. Periodic financial statements will be published to keep Albertans informed about the government's finances.

The legislation will help keep our taxes low. Increased spending in one area will have to be accompanied by cuts in other areas. The best way to guarantee taxpayers value for their money is to place legislated limits on spending.

Tough Choices Ahead

The spending limits will be a maximum, not a floor. We are determined to eliminate the deficit over the business cycle.

Revenue growth of 6% per year, on average, is about the most that can be expected from growth in the economy unless energy prices climb sharply. That would not be enough to balance the budget by 1996-97 if expenditure rises at the legislated rates. A further fiscal correction of \$1.1 billion, or \$275 million per year, will be required.

Generating an additional \$1.1 billion in revenue would require major tax increases. For example, personal income taxes would have to be increased by one-third or fuel taxes increased by 20 cents per litre.

This government will seek a better solution. If revenue growth is not sufficient, we believe

Albertans would prefer even tougher controls on expenditure than specified in the legislation.

After seven years of tight control, there are no easy places left to make large cuts in spending. Every program is considered important by those who receive the benefits. Health, education and social services are already being restructured. Other programs and government administration have been slashed by over \$400 million since 1985-86.

Cost savings will have to be sought in all programs. Sacrifices will be required from all Albertans.

The government will ask Albertans for their advice on what services should be reduced or ended. The Premier has directed Ministers and government MLAs to consult their constituents and report back on how best to achieve our objectives. **We will work together with Albertans to restore fiscal balance.**

In summary, Mr. Speaker, this budget sets out a medium-term strategy to eliminate the deficit. The budget:

- cuts the size and cost of government overhead,
- continues the restructuring of essential programs, and
- proposes firm legislated limits on spending.

This budget also takes immediate action to strengthen the Alberta economy. Our Economic Agenda '92:

- enhances the competitive position of our manufacturers,
- assists small businesses and rural Alberta,
- provides \$200 million for local infrastructure, and
- cuts Albertans' personal income taxes.

Mr. Speaker, this budget builds confidence and creates more jobs for Albertans.

The future is bright for Alberta. The inflow of investment and people into our province shows that this is the place to be.

Albertans pay the lowest taxes and keep more of their income than residents of other provinces. Our people services meet the needs of Albertans.

I am certain that, in partnership with Albertans, we can make the necessary choices for a stronger Alberta.



RINDGET
ADDRESS
1992

Tables and Charts

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The main operating fund of the province is the General Revenue Fund. It receives public money and most government expenditure is paid for through appropriations from the General Revenue Fund.

1991-92 Budget Update

The 1991-92 Budget is now forecast to show a deficit of \$1,583 million. The deterioration from the budget plan is primarily the result of a sharp drop in non-renewable resource revenue and other energy-related revenue. Non-renewable resource revenue is forecast to be \$1,176 million lower than the budget estimate and corporate income tax \$200 million lower.

The price of West Texas Intermediate crude oil averaged approximately US\$20.75 per barrel compared to the budget estimate of US\$23 per barrel. A higher exchange rate and higher-than-expected price differential between light and heavy oil contributed to the lower crude oil royalty revenue. The lower oil price also meant that no royalty payments were received from the Syncrude project.

Natural gas prices were expected to increase in 1991-92. Instead, they declined from \$1.52 per thousand cubic feet in 1990-91 to about \$1.30 per thousand cubic feet. The volume of natural gas exports to the United States is forecast to be higher than anticipated, but the increase will be more than offset by lower sales in the domestic market due, in part, to the severity of the national recession.

The general weakness in the energy sector also resulted in reduced land sales revenue and lower corporate tax revenue.

Program expenditure is forecast to exceed the budget estimate by 1.1% or \$127 million. Special warrants approved during the year totalled \$406 million. Of this total, \$169 million was to meet an increase in costs for the Supports for Independence program due to a higher social allowance caseload and a new federal-provincial arrangement on payments for services to Treaty Indians.

The special warrants will be largely offset by general savings in other program areas including savings from the expenditure control initiatives announced on November 20, 1991.

Debt servicing costs are forecast to exceed the budget estimate by \$80 million, or 7.6%, due to the 1991-92 deficit.

Change in Accounting Policy

A change in accounting policy has been made on the recommendation of the Auditor General. Obligations under guarantees and indemnities are now charged to budgetary expenditure when management determines that the province will likely be called upon to make payment. The charge represents management's estimate of future payments less recoveries. The new policy results in the restatement of the 1991-92 estimates and the actual results for years prior to 1990-91.

General Revenue Fund
Budgetary Revenue and Expenditure
(thousands of dollars)

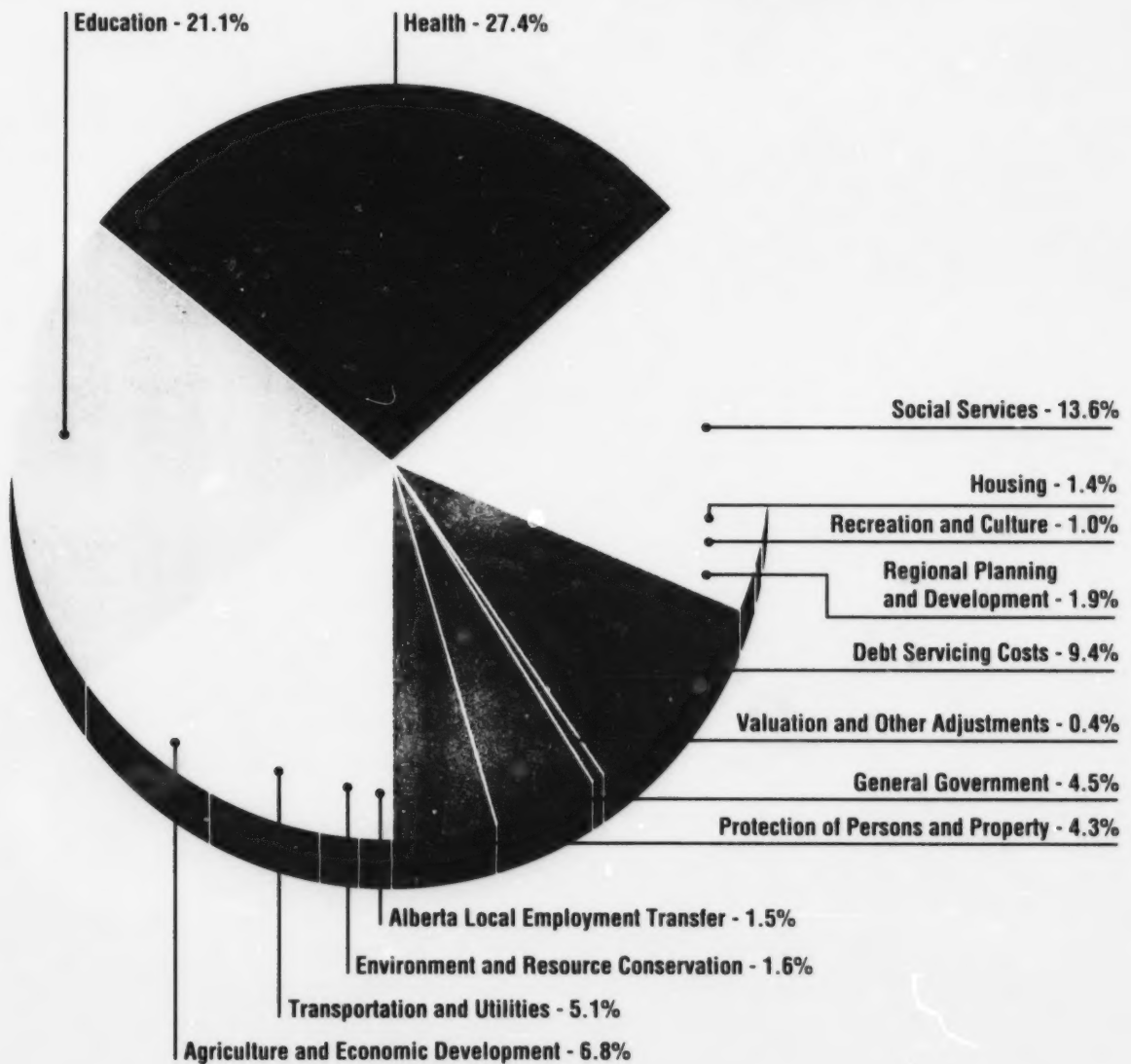
Table A1

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Revenue				
General Revenue				
Taxes	5,000,000	4,793,000	5,046,000	4,477,369
Non-Renewable Resource Revenue	2,048,000	2,054,000	3,230,000	2,686,045
Payments from Government of Canada	1,525,000	1,554,000	1,491,000	1,952,536
Transfers from Government Enterprises	440,000	440,000	440,000	412,716
Fees, Permits and Licences	376,000	349,000	345,000	311,057
Other Revenue	590,000	490,000	511,000	589,791
	<u>9,979,000</u>	<u>9,680,000</u>	<u>11,063,000</u>	<u>10,429,514</u>
Heritage Fund Investment Income	1,005,000	1,465,000	1,555,000	1,336,857
	<u>10,984,000</u>	<u>11,145,000</u>	<u>12,618,000</u>	<u>11,766,371</u>
Expenditure*				
Program				
Health	3,644,310	3,454,043	3,493,718	3,262,579
Education	2,807,099	2,698,690	2,723,694	2,637,078
Social Services	1,811,477	1,767,038	1,607,373	1,567,339
Agriculture and Economic Development	896,781	988,081	889,449	1,130,643
Transportation and Utilities	676,580	710,780	715,722	817,475
Protection of Persons and Property	565,112	551,469	509,365	515,070
Regional Planning and Development	248,636	304,257	297,106	322,566
Environment and Resource Conservation	211,389	196,907	199,507	186,319
Housing	181,658	178,383	200,730	263,229
Recreation and Culture	135,647	135,882	137,693	146,531
General Government	592,420	595,662	608,426	610,924
General allowance for lapsed appropriations	—	(71,000)	—	—
	<u>11,771,109</u>	<u>11,510,192</u>	<u>11,382,783</u>	<u>11,459,753</u>
Alberta Local Employment Transfer	200,000	—	—	—
Valuation and Other Adjustments	52,200	88,213	51,400	403,918
Debt Servicing Costs	1,250,000	1,130,000	1,050,000	1,131,716
	<u>13,273,309</u>	<u>12,728,405</u>	<u>12,484,183</u>	<u>12,995,387</u>
Budgetary Surplus (Deficit)	<u>(2,289,309)</u>	<u>(1,583,405)</u>	<u>133,817</u>	<u>(1,229,016)</u>

* Prior years' expenditures are restated where necessary to conform to the current year's presentation.

**Budgetary Expenditure By Major Function
1992-93 Estimate**

Chart A1



Total Budgetary Expenditure - \$13,273 Million

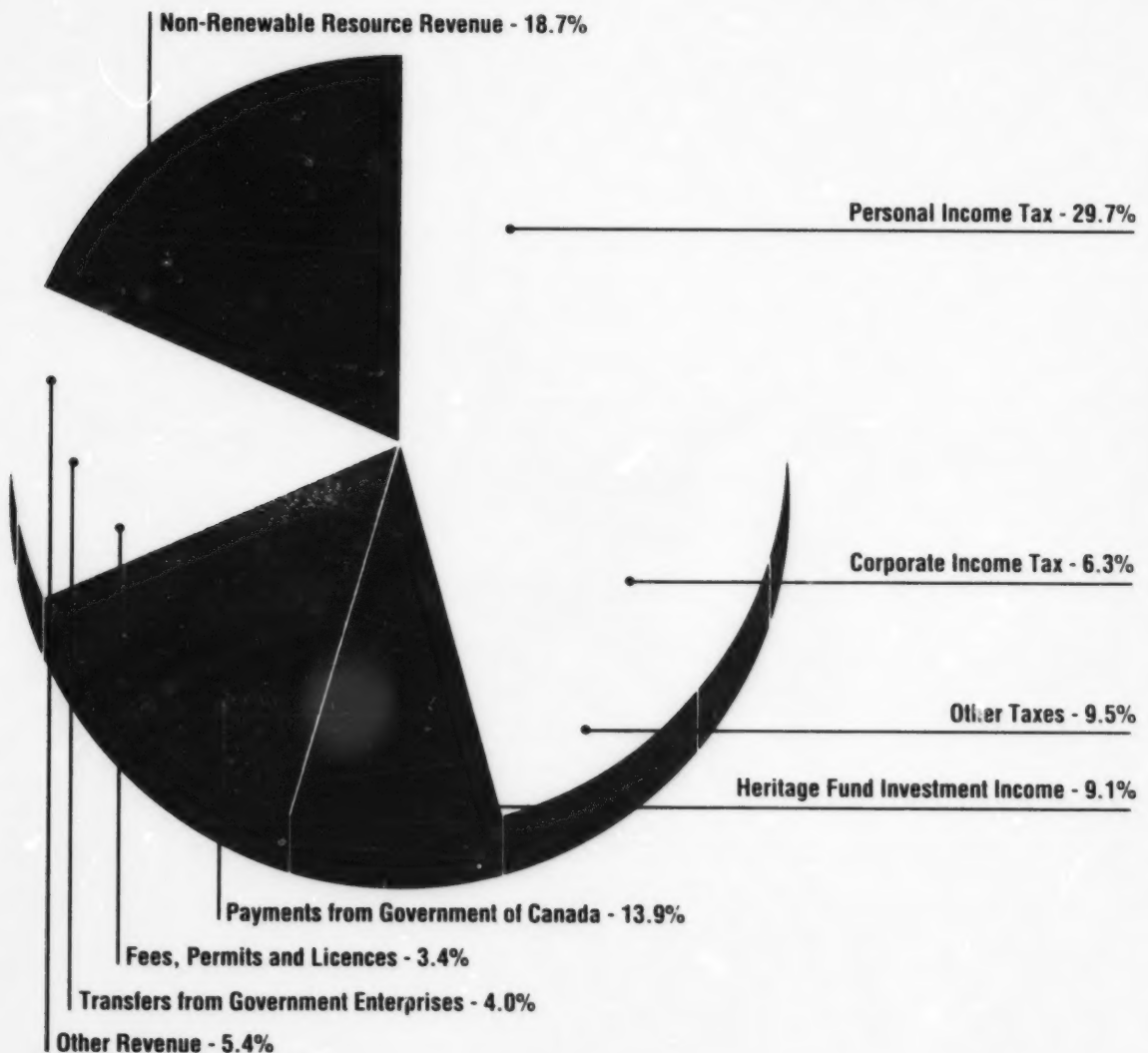
General Revenue Fund
Budgetary Revenue
(thousands of dollars)

Table A2

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Taxes				
Personal income tax	3,265,000	3,057,000	3,078,000	2,796,209
Corporate income tax	695,000	700,000	900,000	803,472
Fuel tax	500,000	495,000	527,000	390,765
Tobacco tax	315,000	315,000	310,000	275,080
Insurance corporations tax	69,000	66,000	66,000	62,465
Freehold mineral rights tax	67,000	78,000	81,000	76,053
Financial institutions capital tax	49,000	44,000	44,000	37,888
Hotel room tax	28,000	26,000	28,000	24,428
Pari-mutuel tax	12,000	12,000	12,000	11,009
	<u>5,000,000</u>	<u>4,793,000</u>	<u>5,046,000</u>	<u>4,477,369</u>
Non-Renewable Resource Revenue				
Crude oil royalty	1,057,000	1,023,000	1,343,000	1,325,194
Natural gas and by-products royalty	848,000	892,000	1,309,000	1,080,352
Synthetic crude oil and bitumen royalty	50,000	27,000	158,000	39,013
Coal royalty	18,000	18,000	16,000	14,671
Bonuses and sales of Crown leases	235,000	255,000	575,000	415,682
Rentals and fees	110,000	114,000	104,000	97,726
Royalty tax credit	(270,000)	(275,000)	(275,000)	(285,569)
Other	—	—	—	(1,024)
	<u>2,048,000</u>	<u>2,054,000</u>	<u>3,230,000</u>	<u>2,686,045</u>
Payments from Government of Canada				
Canada assistance plan	643,000	620,000	565,000	544,359
Hospital insurance	392,000	427,000	422,000	449,310
Post-secondary education	216,000	239,000	235,000	252,855
Extended health care	133,000	131,000	130,000	127,445
Stabilization	—	—	—	344,167
Other	141,000	137,000	139,000	234,400
	<u>1,525,000</u>	<u>1,554,000</u>	<u>1,491,000</u>	<u>1,952,536</u>
Transfers from Government Enterprises				
Alberta Liquor Control Board	435,000	435,000	435,000	408,000
Other	5,000	5,000	5,000	4,716
	<u>440,000</u>	<u>440,000</u>	<u>440,000</u>	<u>412,716</u>
Fees, Permits and Licences				
Motor vehicle licences	167,000	159,000	155,000	149,041
Land titles	42,000	40,000	44,000	40,664
Other	167,000	150,000	146,000	121,352
	<u>376,000</u>	<u>349,000</u>	<u>345,000</u>	<u>311,057</u>
Other Revenue				
Investment income	87,000	61,000	73,000	409,554
Refunds of expenditure	66,000	66,000	73,000	66,575
Transfer from Alberta Municipal Financing Corporation	300,000	—	—	—
Transfer from Lottery Fund	25,000	225,000	225,000	—
Miscellaneous	112,000	138,000	140,000	113,662
	<u>590,000</u>	<u>490,000</u>	<u>511,000</u>	<u>589,791</u>
Total General Revenue	<u>9,979,000</u>	<u>9,680,000</u>	<u>11,063,000</u>	<u>10,429,514</u>
Heritage Fund Investment Income	<u>1,005,000</u>	<u>1,465,000</u>	<u>1,555,000</u>	<u>1,336,857</u>
Total Budgetary Revenue	<u>10,984,000</u>	<u>11,145,000</u>	<u>12,618,000</u>	<u>11,766,371</u>

**Budgetary Revenue By Major Source
1992-93 Estimate**

Chart A2



Total Budgetary Revenue - \$10,984 Million

General Revenue Fund
Budgetary Expenditure*
(thousands of dollars)

Table A3

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Legislative Assembly	37,451	36,782	35,891	34,020
Government				
Advanced Education	1,075,005	1,042,852	1,051,068	1,019,194
Agriculture	395,199	420,702	371,727	439,415
Attorney General	175,043	169,711	161,148	154,754
Career Development and Employment	105,808	104,459	109,829	134,288
Consumer and Corporate Affairs	22,152	20,018	20,768	19,518
Culture and Multiculturalism	42,941	43,624	43,623	47,953
Revolving fund	(95)	20	7	10
Economic Development and Trade	63,466	48,093	50,452	67,102
Education	1,611,056	1,533,090	1,543,390	1,463,217
Revolving fund	(1,870)	1,489	2,407	3,837
Energy	70,627	86,574	67,132	86,415
Petroleum Incentives Program Act	—	—	—	210
Environment	143,365	135,384	136,942	131,793
Water resources revolving fund	(52)	50	494	295
Executive Council	261,453	266,994	234,097	281,499
Metis settlements accord	30,000	30,000	30,000	—
Family and Social Services	1,566,921	1,520,259	1,362,443	1,320,115
Federal and Intergovernmental Affairs	10,735	10,964	10,198	10,807
Forestry, Lands and Wildlife	173,722	198,561	175,477	209,934
Revolving fund	850	(17)	—	(112)
Health	3,549,589	3,366,031	3,405,131	3,180,048
Labour	39,720	40,587	40,871	40,132
Personnel Administration Office revolving fund	(6)	(45)	(12)	(203)
Municipal Affairs	514,178	616,503	588,610	710,417
Public Works, Supply and Services	508,700	506,174	524,174	500,373
Revolving fund	2,809	7,303	12,003	9,619
Solicitor General	288,884	279,490	280,610	268,464
Technology, Research and Telecommunications	65,125	72,887	65,836	74,375
Tourism, Parks and Recreation	102,491	113,535	111,368	127,305
Revolving fund	(9)	(27)	(134)	140
Transportation and Utilities	708,005	754,887	769,591	887,266
Revolving funds	6,472	(2,433)	(6,500)	(1,145)
Treasury	114,845	118,943	109,654	152,654
Debt servicing costs	1,250,000	1,130,000	1,050,000	1,131,716
Other statutory appropriations	138,729	125,961	125,888	489,962
Alberta Local Employment Transfer	200,000	—	—	—
General allowance for lapsed appropriations	—	(71,000)	—	—
	13,235,858	12,691,623	12,448,292	12,961,367
Total Budgetary Expenditure	13,273,309	12,728,405	12,484,183	12,995,387
Summary				
Voted appropriations	11,646,481	11,436,104	11,270,030	11,361,058
Statutory appropriations	1,626,828	1,292,301	1,214,153	1,634,329
	13,273,309	12,728,405	12,484,183	12,995,387

* Prior years' expenditures are restated where necessary to conform to the current year's presentation.

General Revenue Fund
Operating and Capital Expenditure
(thousands of dollars)

Table A4

	1992-93 Estimate		
	Operating	Capital	Total
Legislative Assembly	36,885	566	37,451
Government			
Advanced Education	1,024,382	50,623	1,075,005
Agriculture	384,228	10,971	395,199
Attorney General	172,983	2,060	175,043
Career Development and Employment	104,748	1,060	105,808
Consumer and Corporate Affairs	21,889	263	22,152
Culture and Multiculturalism	42,299	642	42,941
Revolving fund	(95)	—	(95)
Economic Development and Trade	63,229	237	63,466
Education	1,529,291	81,765	1,611,056
Revolving fund	(2,430)	560	(1,870)
Energy	69,840	787	70,627
Environment	105,261	38,104	143,365
Water resources revolving fund	(542)	490	(52)
Executive Council	260,894	559	261,453
Metis settlements accord	15,000	15,000	30,000
Family and Social Services	1,559,600	7,321	1,566,921
Federal and Intergovernmental Affairs	10,625	110	10,735
Forestry, Lands and Wildlife	170,744	2,978	173,722
Revolving fund	830	20	850
Health	3,517,225	32,364	3,549,589
Labour	39,094	626	39,720
Personnel Administration Office revolving fund	(14)	8	(6)
Municipal Affairs	491,366	22,812	514,178
Public Works, Supply and Services	361,697	147,003	508,700
Revolving fund	(23,252)	26,061	2,809
Solicitor General	286,504	2,380	288,884
Technology, Research and Telecommunications	64,288	837	65,125
Tourism, Parks and Recreation	86,551	15,940	102,491
Revolving fund	(9)	—	(9)
Transportation and Utilities	178,692	529,313	708,005
Revolving funds	(5,136)	11,608	6,472
Treasury	114,341	504	114,845
Debt servicing costs	1,250,000	—	1,250,000
Other statutory appropriations	132,812	5,917	138,729
Alberta Local Employment Transfer	—	200,000	200,000
	<u>12,026,935</u>	<u>1,208,923</u>	<u>13,235,858</u>
Total	<u>12,063,820</u>	<u>1,209,489</u>	<u>13,273,309</u>
Summary			
Voted appropriations	10,696,656	949,825	11,646,481
Statutory appropriations	1,367,164	259,664	1,626,828
	<u>12,063,820</u>	<u>1,209,489</u>	<u>13,273,309</u>

General Revenue Fund
Non-Budgetary Transactions
(excluding debt transactions, thousands of dollars)

Table A5

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Receipts				
Repayment of loans and advances				
Government entities	243,857	86,549	246,450	328,130
Other	1,060	16,163	1,848	1,872
Long-term investments	—	28,000	—	36,658
	<u>244,917</u>	<u>130,712</u>	<u>248,298</u>	<u>366,660</u>
Disbursements				
Loans and advances				
Government entities	279,001	122,729	310,171	280,733
Other	111,850	114,996	59,712	68,850
Long-term investments	—	1,000	1,500	141,399
	<u>390,851</u>	<u>238,725</u>	<u>371,383</u>	<u>490,982</u>
Net Non-Budgetary Transactions	<u>145,934</u>	<u>108,013</u>	<u>123,085</u>	<u>124,322</u>

General Revenue Fund and Capital Fund
Net Cash Requirements
(thousands of dollars)

Table A6

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
General Revenue Fund				
Budgetary deficit (surplus)	2,289,309	1,583,405	(133,817)	1,229,016
Net non-budgetary transactions	145,934	108,013	123,085	124,322
Adjustments to cash basis	(145,243)	(512,418)	(296,764)	(139,884)
	<u>2,290,000</u>	<u>1,179,000</u>	<u>(307,496)</u>	<u>1,213,454</u>
Capital Fund				
Net capital expenditure	252,660	198,040	215,668	256,913
Adjustments to cash basis	—	(6,762)	—	34,735
	<u>252,660</u>	<u>191,278</u>	<u>215,668</u>	<u>291,648</u>
Net Cash Requirements	<u>2,542,660</u>	<u>1,370,278</u>	<u>(91,828)</u>	<u>1,505,102</u>

General Revenue Fund

Table A7

Revenue from New and Increased Fees and Charges
 (thousands of dollars)

	1992-93 Estimate	1991-92 Estimate
Agriculture		
Abattoir licence fees	16	8
Livestock brand inspection fees ^a	347	—
Attorney General		
Clerks' and Sheriffs' fees	9,936	8,747
Medical Examiner's fees	210	200
Consumer and Corporate Affairs		
Securities Commission fees	76	47
Co-op directors' handbook charges	3	2
Delegated regulatory organizations fees	3,739	2,360
Energy		
Mineral resources fees	23	12
Forestry, Lands and Wildlife		
Recreational game hunting licences ^a	261	—
Alberta Forest Service - staff meal charges	286	222
Reforestation levies	5,443	5,190
Recreation area user fees	1,502	—
Health		
Vital Statistics service fees	3,850	3,000
Labour		
Trades certification, registration and inspection fees	9,149	7,192
Fire training course fees	300	42
Employment standards search fees	60	—
Labour Relations Board union certification fees	15	—
Municipal Affairs		
Assessor fees	3,063	2,974
Occupational Health and Safety		
Registration and inspection of radiation devices fees	400	—
Public Works, Supply and Services		
Government parking fees	4,127	2,644
Solicitor General		
Vehicle operators' fees and charges	21,531	15,879
Commercial vehicle registration fees	5,602	5,353
Identification card service fees	173	—
Total Revenue	<u>70,112</u>	<u>53,872</u>
Budgetary Revenue	<u>70,087</u>	<u>53,872</u>

^a Revenue shown is for a new component of the livestock brand inspection program.^a Revenue shown is from new fees only and includes \$25,000 allocated to the Fish and Wildlife Trust Fund.

General Revenue Fund
Selected Fees and Charges*
(dollars)

Table A8

	1992-93	1991-92
Agriculture		
Abattoir licence fee (per year)	100 00	50 00
Livestock brand inspection fee (per animal)	1 00	—
Attorney General		
Clerks' and Sheriffs' fees (various)	1 00-100 00	1 00-75 00
Medical Examiner's fees		
Copy of a full autopsy report	35 00	20 00
Laboratory analysis report	15 00	10 00
Consumer and Corporate Affairs		
Securities Commission fees		
Exemption order application	300 00	150 00
Statement of material facts	800 00	600 00
Rights offering	800 00	600 00
Forestry, Lands and Wildlife		
Resident recreational game hunting licences		
Youth wildlife certificate	5 00	—
Youth licence - white-tail deer	5 00	—
Special licence - white-tail deer	15 00	—
Supplemental licence - black bear	12 15	—
Recreation area user fees		
Rustic campsite fee (per night)	5 14	—
Basic campsite fee (per night)	7 01	—
Group campground fee (per night)	56 07	—
Health		
Vital Statistics certificate	20 00	15 00
Marriage licence	45 00	35 00
Change of name	120 00	100 00
Labour		
Examination of building plans in non-permit issuing jurisdictions	75 00	—
Elevator certification and operations permits	50 00-150 00	—
Employment standards search fee	25 00	—
Occupational Health and Safety		
Registration of radiation device fee (per year)	50 00	—
Inspection of radiation device fee	250 00	—
Solicitor General		
Operator licence fee (per 5-year renewal)	40 00	30 00
Vehicle/operator search fees	5 00-8 00	3 00-6 00
Suspended drivers' hearing fees	45 00-90 00	—
Driver handbook/course text charges	1 00-2 00	—
Motor vehicle accident report charge	15 00	—
Identification card service fee	15 00	—

* Federal Goods and Services Tax is applied on certain fees.

General Revenue Fund and Capital Fund
Unmatured Debt
(thousands of dollars)

Table A9

	At March 31		
	1992*	1991	1990
Unmatured Debt by Fund			
General Revenue Fund	10,670,000	9,470,635	7,937,663
Capital Fund	1,440,000	1,247,710	949,855
	<u>12,110,000</u>	<u>10,718,345</u>	<u>8,887,518</u>
Composition of Unmatured Debt			
Short-Term Debt			
Payable in Canadian dollars			
Treasury bills	322,000	519,575	639,708
Promissory notes	1,483,000	1,162,350	1,231,287
	<u>1,805,000</u>	<u>1,681,925</u>	<u>1,870,995</u>
Payable in United States dollars	830,000	407,801	481,998
	<u>2,635,000</u>	<u>2,089,726</u>	<u>2,352,993</u>
Long-Term Debt			
Payable in Canadian dollars			
Promissory notes	340,000	410,000	90,000
Alberta Capital Bonds	1,413,000	965,866	983,508
Debentures			
Canada Pension Plan	525,000	244,049	75,654
Other	3,701,000	3,588,464	2,877,673
	<u>5,979,000</u>	<u>5,208,379</u>	<u>4,026,835</u>
Payable in United States dollars	3,620,000	3,639,955	2,739,754
	<u>9,599,000</u>	<u>8,848,334</u>	<u>6,766,589</u>
	<u>12,234,000</u>	<u>10,938,060</u>	<u>9,119,582</u>
Sinking Fund	(124,000)	(219,715)	(232,064)
	<u>12,110,000</u>	<u>10,718,345</u>	<u>8,887,518</u>

* Forecast. At March 31, 1992, an estimated \$685 million of General Revenue Fund debt was held by the Heritage Fund. The Farm Credit Stability Fund and the Small Business Term Assistance Fund had an estimated total debt of \$2,030 million, which was fully offset by deposits maintained by the province with financial institutions and other assets.

General Revenue Fund

Guarantees

(excluding government entities, thousands of dollars)

Table A10

	At December 31	At March 31	
	1991*	1991	1990
Guaranteed Debentures			
AEC Power Ltd.	168,286	179,926	186,383
Vencap Equities Alberta Ltd.	35,127	36,681	40,000
Chembiomed Ltd.	12,500	12,500	12,500
	<u>215,913</u>	<u>229,107</u>	<u>238,883</u>
Guaranteed Loans			
Farm Credit Stability Fund Act	1,519,447	1,440,998	1,074,152
Weldwood of Canada Ltd.	273,340	275,642	237,796
Alberta Newsprint Funding Corporation	179,881	180,167	125,190
Small Business Term Assistance Fund Act	170,141	225,055	293,329
Students Loan Guarantee Act	155,631	145,458	126,639
354713 Alberta Ltd.	152,566	118,756	109,636
Magnesium Company of Canada Ltd.	102,750	102,750	96,400
Slave Lake Pulp Partnership	96,000	96,000	58,000
Alberta Family First-Home Program	73,834	93,529	50,881
Gairners Properties Inc.	53,904	57,346	57,346
Feeder associations	41,308	28,361	24,402
Export program	34,382	37,390	31,701
Agricultural Societies Act	26,937	14,433	15,854
Northern Steel Inc.	14,043	13,914	14,527
Golden Gate Fresh Foods, Inc.	13,899	13,904	—
Ribbon Creek Alpine Village	10,207	10,243	10,259
Gainers Inc.	10,000	10,000	7,122
Alberta capital loan program	8,607	9,026	4,666
Smoky River Coal Ltd.	8,111	13,680	542
Other	41,360	84,998	126,353
	<u>2,986,348</u>	<u>2,971,650</u>	<u>2,464,795</u>
Total Guarantees*	<u>3,202,261</u>	<u>3,200,757</u>	<u>2,703,678</u>

* Unaudited

* The province's liability for payments under guarantees, including both principal and accrued interest, at March 31, 1990 and March 31, 1991 was estimated at \$76.4 million and \$215 million, respectively.

General Revenue Fund
Reported Assets, Liabilities and Net Debt
(thousands of dollars)

Table A11

	At March 31	
	1991	1990
Assets		
Cash and marketable securities	79,372	4,520
Accounts receivable	915,706	563,800
Long-term investments	87,673	120,950
Loans and advances to government entities	310,251	401,457
Other loans and advances	50,129	96,620
	<u>1,443,131</u>	<u>1,187,347</u>
Liabilities and Net Debt		
Liabilities		
Accounts and loans payable	792,241	894,893
Unearned revenue and suspense	34,557	27,521
Unmatured debt	9,470,635	7,937,663
Guarantees and indemnities	624,900	577,456
	<u>10,922,333</u>	<u>9,437,533</u>
Net Debt		
Net debt at beginning of year:		
As previously reported	7,672,730	5,349,108
Adjustments due to change in accounting policy	577,456	654,866
As restated	8,250,186	6,003,974
Budgetary deficit	1,229,016	2,246,212
Net debt at end of year	<u>9,479,202</u>	<u>8,250,186</u>
	<u>1,443,131</u>	<u>1,187,347</u>

Province of Alberta
Selected Financial and Economic Statistics

Table A12

Financial Statistics (millions of dollars)	Fiscal Years				
	1991-92	1990-91	1989-90	1988-89	1987-88
General Revenue Fund ^a					
Budgetary revenue	11,145	11,766	9,720	9,106	9,466
Budgetary expenditure	12,728	12,995	11,966	10,880	10,349
Budgetary deficit	1,583	1,229	2,246	1,774	883
Economic Statistics	Calendar Years				
	1991	1990	1989	1988	1987
Gross Domestic Product ^a					
Nominal (millions of dollars)	73,477	72,391	66,912	63,109	58,848
Per cent change	1.5	8.2	6.0	7.2	4.1
Real (millions of 1986 dollars)	65,045	64,721	64,372	63,442	57,926
Per cent change	0.5	0.5	1.5	9.5	2.4
Population and Employment					
Population (000's at June 1)	2,522	2,473	2,426	2,389	2,378
Employment (000's)	1,246	1,231	1,214	1,187	1,147
Unemployment rate (per cent)	8.2	7.0	7.2	8.0	9.6
Prices					
Consumer price index (per cent change)	5.9	5.8	4.2	2.7	4.0
Oil price (WTI US\$/bbl)	21.46	24.50	19.63	15.98	19.17
Natural gas price (\$/mcf at wellhead) ^b	1.35	1.57	1.57	1.64	1.71
Exchange rate (US\$/Cdn\$)	87.3	85.7	84.5	81.2	75.4
Other Indicators					
Personal income (millions of dollars) ^a	57,678	54,362	50,382	47,280	42,963
Housing starts (number of units)	12,492	17,227	14,712	11,360	10,790

^a Forecast for 1991-92^b Forecast for 1991



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Tables and Charts

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Charts

B1	Heritage Fund Investment Income	45
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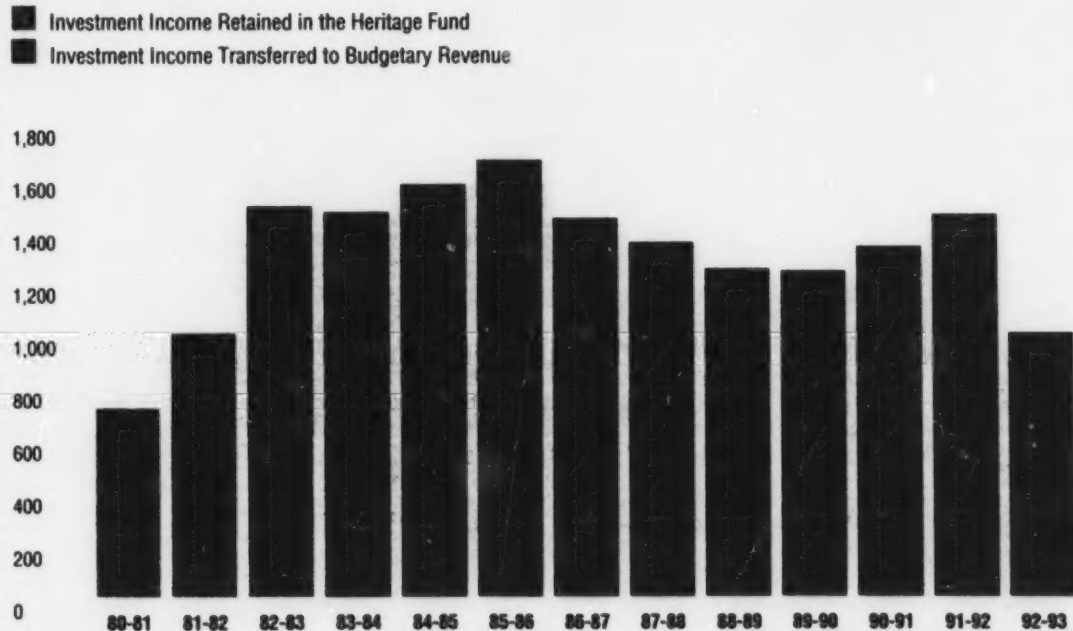
The Alberta Heritage Savings Trust Fund's net income, estimated at \$1,005 million in 1992-93, will continue to be transferred to the General Revenue Fund. Including the 1992-93 income, about \$14.7 billion will have been transferred to budgetary revenue since September, 1982. Prior to that date, all investment earnings of the Heritage Fund were retained in the Fund and reinvested. Since 1987-88, all non-renewable resource revenue has been

retained in the General Revenue Fund.

In 1992-93, the Heritage Fund will invest an additional \$39 million in the Lloydminster Bi-provincial Upgrader. The Heritage Fund will also invest \$106 million in subordinated debentures of the Alberta Pacific Pulp Mill project near Athabasca as part of the Fund's \$250 million commitment to this \$1.3 billion project.

Heritage Fund Investment Income
(millions of dollars)

Chart B1



Alberta Heritage Savings Trust Fund
Sources and Applications of Funds
(thousands of dollars)

Table B1

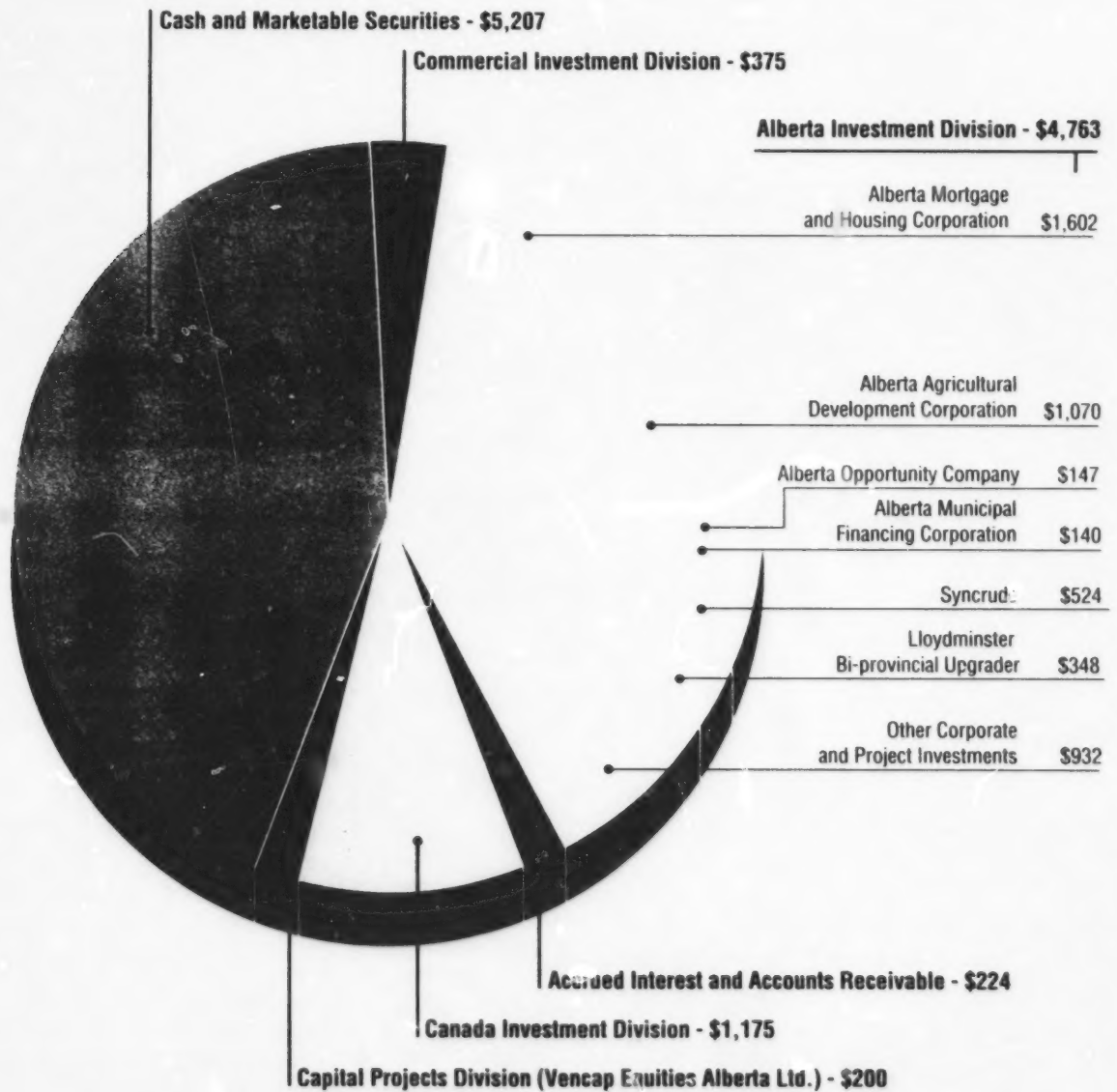
	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Sources of Funds				
Repayments, Maturities and Disposals*				
Alberta Investment Division				
Alberta Agricultural Development Corporation	50,700	42,103	39,200	35,862
Alberta Mortgage and Housing Corporation	263,200	433,100	332,000	886,238
Alberta Opportunity Company	29,000	31,304	31,600	34,598
Alberta Municipal Financing Corporation	—	570,000	—	—
Alberta Government Telephones Commission	—	—	—	999,035
Total provincial Crown corporations	342,900	1,076,507	402,800	1,955,733
TELUS Corporation	—	667,737	—	—
Other	4,300	2,338	3,600	4,250
	347,200	1,746,582	406,400	1,959,983
Canada Investment Division	8,000	8,300	8,300	118,300
Capital Projects Division	1	1	1	1
	355,201	1,754,883	414,701	2,078,284
Changes in accounts receivable and other	431,083	(66,405)	220,700	(227,672)
Net investment income	1,005,000	1,465,000	1,555,000	1,337,744
Transfer of net income to the General Revenue Fund	(1,005,000)	(1,465,000)	(1,555,000)	(1,336,857)
	<u>786,284</u>	<u>1,688,478</u>	<u>635,401</u>	<u>1,851,499</u>
Applications of Funds				
Capital Projects Division	102,384	86,178	109,680	150,265
Alberta Investment Division				
Alberta Agricultural Development Corporation	50,000	107,000	179,000	40,000
Alberta Mortgage and Housing Corporation	73,000	87,000	87,000	99,000
Alberta Opportunity Company	30,000	27,000	39,000	28,000
Total provincial Crown corporations	153,000	221,000	305,000	167,000
TELUS Corporation	—	—	—	667,737
Syncrude	(3,800)	14,000	2,600	(5,212)
Alberta Energy Company Ltd.	8,000	7,800	7,800	7,658
Lloydminster Bi-provincial Upgrader	38,500	171,000	140,400	109,171
Alberta Pacific Pulp Mill project	106,000	68,000	—	—
TransCanada Pipelines Limited	—	150,000	—	—
OSLO oil sands project	—	1,000	9,100	1,781
	301,700	632,800	464,900	948,135
Commercial Investment Division	24,000	11,500	27,900	23,424
Increase in cash and marketable securities	358,200	958,000	32,921	729,675
	<u>786,284</u>	<u>1,688,478</u>	<u>635,401</u>	<u>1,851,499</u>

* Excludes marketable securities

Heritage Fund Financial Assets at March 31, 1993

(millions of dollars, estimate)

Chart B2



Total Financial Assets - \$11,944 Million

Approval of the Legislative Assembly will be sought to allow the Heritage Fund to invest a total of \$153 million in three provincial Crown corporations. The corporations will borrow from the Heritage Fund at prevailing market rates of interest.

The General Revenue Fund pays the net costs of the programs offered by provincial Crown corporations. These costs include administrative costs, interest rate subsidies and incentives, other program subsidies, and the cost of losses on loans and other investments. Grants from the General Revenue Fund in 1992-93 are estimated at \$99 million for the Alberta Agricultural Development

Corporation, \$104 million for the Alberta Mortgage and Housing Corporation, and \$14 million for the Alberta Opportunity Company.

Alberta Agricultural Development Corporation provides loans, loan guarantees and financial counselling to farmers and agribusinesses. Direct lending commitments of the corporation are estimated to amount to \$74 million, including \$4 million to be committed in 1992-93 for agribusiness and food processing under a Western Economic Partnership Agreement. The Heritage Fund will invest up to \$50 million to finance this lending in 1992-93.

Provincial Crown Corporations

Sources and Applications of Funds, 1992-93

(thousands of dollars)

Table B2

	Alberta Agricultural Development Corporation	Alberta Mortgage and Housing Corporation	Alberta Opportunity Company
Sources of Funds			
Heritage Fund Financing	50,000	73,000	30,000
Grants from the General Revenue Fund			
Operating	65,567	104,400	14,100
Disaster assistance loan programs	33,695	—	—
Loan from the General Revenue Fund	—	—	6,000
Grant from the Capital Fund	—	18,750	—
Principal repayments and mortgage payouts	37,300	92,600	30,000
Promissory notes	—	11,150	—
Interest payments on loans	80,800	46,300	16,600
Property sales and other	23,638	123,900	5,300
	<u>291,000</u>	<u>470,100</u>	<u>102,000</u>
Applications of Funds			
Capital programs and loan disbursements	77,000	62,500	42,800
Repayment of advances from the			
General Revenue Fund	—	12,000	4,750
Debt service repayments	50,700	263,200	29,000
Interest expense	113,800	—	15,600
Loan incentives and interest benefits	36,300	—	—
Administrative costs	13,200	— ^a	9,850
Program operating costs	—	132,400 ^b	—
	<u>291,000</u>	<u>470,100</u>	<u>102,000</u>

^a Administrative costs for social housing are included in Alberta Municipal Affairs.

^b Includes interest expense and is net of recoveries.

Alberta Mortgage and Housing Corporation finances social housing programs for senior citizens, low income families and other Albertans in need. Capital commitments for social housing are estimated at \$32 million in 1992-93. Also, the corporation will support \$12 million of privately financed social housing targeted to special housing needs. The Heritage Fund will invest up to \$73 million in 1992-93 to finance social housing program commitments and to refinance a portion of principal payments on previously issued debentures.

The capital cost of senior citizens' lodge regeneration and additions will be funded from the Capital Fund.

Alberta Opportunity Company provides loans, loan guarantees, venture and seed capital financing and financial guidance to small Alberta businesses. The Heritage Fund will invest up to \$30 million to finance direct lending commitments of \$34 million in 1992-93. The General Revenue Fund will lend \$6 million for the venture and seed capital financing programs.

Provincial Crown Corporations
Capital Program Commitments
(thousands of dollars)

Table B3

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Alberta Agricultural Development Corporation				
Beginning Farmer and Developing Farmer loans	60,000	63,000	70,000	80,579
Agribusiness loans and investments	10,000	17,500	15,000	11,033
Western Economic Partnership Agreement	4,000	—	—	—
Disaster assistance loan programs				
Northwestern	—	200	—	4,723
Southeastern	—	58,300	76,000	9,071
Western	—	4,300	3,715	6,267
	<u>74,000</u>	<u>143,300</u>	<u>164,715</u>	<u>111,673</u>
Alberta Mortgage and Housing Corporation				
Community Housing	11,400	5,000	5,000	3,900
Senior Citizens' Lodge regeneration	8,600	17,700	15,300	5,000
Senior Citizens' Lodge additions	1,500	3,500	1,200	—
Senior Citizens' Lodge construction	—	—	—	4,600
Senior Citizens' Self-Contained housing	2,500	7,100	7,100	8,900
Special Purpose Housing	800	5,100	5,100	600
Rural and Native Housing	5,600	11,500	2,700	17,220
Land	1,300	1,200	1,200	3,591
	<u>31,700</u>	<u>51,100</u>	<u>37,600</u>	<u>43,811</u>
Alberta Opportunity Company				
Direct lending	34,000	31,000	35,000	28,355
Venture capital financing	4,000	4,000	15,000	3,973
Seed capital financing	2,000	2,000	3,000	1,562
	<u>40,000</u>	<u>37,000</u>	<u>53,000</u>	<u>33,890</u>
Total	<u>145,700</u>	<u>231,400</u>	<u>255,315</u>	<u>189,374</u>

Capital Projects Division estimates of \$102 million in 1992-93 will support twelve ongoing projects. About two-thirds of the 1992-93

expenditure will be for irrigation and water management projects. No new projects will be initiated during 1992-93.

Alberta Heritage Savings Trust Fund
Capital Projects Division
(thousands of dollars)

Table B4

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Agriculture				
Farming for the Future	5,000	5,000	5,000	4,839
Irrigation rehabilitation and expansion	30,000	20,000	25,000	24,990
Private irrigation development assistance	1,000	275	3,815	254
Energy				
Renewable energy research	1,000	1,000	1,000	422
Environment				
Land reclamation	2,500	2,269	2,500	2,298
Water management systems improvement	35,000	31,215	40,000	38,934
Executive Council				
Alberta Family Life and Substance Abuse Foundation	5,000	675	6,000	—
Occupational health and safety research and education	1,185	1,180	1,180	1,142
Forestry, Lands and Wildlife				
Grazing reserves enhancement	3,712	2,844	2,844	1,385
Pine Ridge Reforestation Nursery enhancement	1,127	6,200	6,500	1,373
Health				
Applied cancer research	2,800	2,800	2,800	2,800
Public Works, Supply and Services				
Capital City Recreation Park	—	—	—	485
Technology, Research and Telecommunications				
Individual line service	—	3,290	3,296	66,454
Tourism, Parks and Recreation				
Municipal recreation/tourism areas	—	615	930	2,370
Urban park development	14,060	8,815	8,815	3,143
Refunds of previous years' expenditure	—	—	—	(624)
Total	102,384	86,178	109,680	150,265



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Tables

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C2	Health Care Insurance Fund, Revenue and Expenditure	54
C3	School Foundation Program Fund, Revenue and Expenditure	55

This appendix provides information on the Capital Fund, the Health Care Insurance Fund and the School Foundation Program Fund.

Alberta Capital Fund

The Alberta Capital Fund was established in 1986 to enable the province to pay the construction costs of major public facilities over their useful lives.

The Capital Fund borrows the amount required to finance approved construction projects and receives annual appropriations from the General

Revenue Fund to repay the principal over time. The interest costs of the borrowing are included in the General Revenue Fund statutory appropriation for debt servicing costs.

In 1992-93, the Capital Fund will spend an estimated \$337 million on health care facilities, post-secondary education facilities, economic development infrastructure, senior citizens' lodge rehabilitation, water development projects, special waste management facilities and museums.

The Capital Fund will receive an \$84 million appropriation from the General Revenue Fund for principal repayment. This will reduce the Fund's net capital expenditure to \$253 million in 1992-93.

Alberta Capital Fund Revenue and Expenditure (thousands of dollars)

Table C1

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Revenue				
Contributions from the General Revenue Fund for:				
Principal repayment	83,987	68,919	59,882	58,192
Debt servicing costs	159,000	149,000	149,000	137,374
Refunds of previous years' expenditure	—	1,500	—	1,113
	<u>242,987</u>	<u>219,419</u>	<u>208,882</u>	<u>196,679</u>
Expenditure				
Capital expenditure				
Health care facilities	175,200	126,805	129,805	133,823
Post-secondary education facilities	76,957	49,954	51,370	58,373
Economic development infrastructure	34,600	27,700	30,675	—
Senior citizens' lodge rehabilitation	18,750	11,000	14,100	—
Water development projects	18,600	50,000	50,000	107,192
Other	12,540	3,000	9,600	16,830
	<u>336,647</u>	<u>268,459</u>	<u>285,550</u>	<u>316,218</u>
Debt servicing costs (net)	<u>159,000</u>	<u>149,000</u>	<u>149,000</u>	<u>137,374</u>
	<u>495,647</u>	<u>417,459</u>	<u>434,550</u>	<u>453,592</u>
Net capital expenditure	<u>252,660</u>	<u>198,040</u>	<u>215,668</u>	<u>256,913</u>

Health Care Insurance Fund

The province provides health care insurance coverage to Alberta residents through the Health Care Insurance Fund.

The Fund pays for basic health services, out-of-province hospital costs for Albertans and extended health benefits for senior citizens. The Fund also pays the cost of Alberta Blue Cross benefits for senior citizens and other participants who do not qualify for Alberta Blue Cross group plans.

The Fund derives its revenue from health care insurance premiums, Blue Cross non-group premiums, Government of Canada contributions under Established Programs Financing and interest earnings. Senior citizens and recipients of the Alberta Widows' Pension, and their dependents, are exempt from health care insurance and Blue Cross non-group premiums.

The difference between the expenditure and revenue of the Fund is covered by a provincial contribution from the General Revenue Fund.

In 1992-93, the Fund is expected to spend \$1,217 million. A contribution of \$635 million will be provided from the General Revenue Fund.

Health Care Insurance Fund
Revenue and Expenditure
(thousands of dollars)

Table C2

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Revenue				
Health care insurance premiums	422,629	391,058	390,847	326,045
Government of Canada contributions	134,828	147,317	141,594	154,601
Blue Cross non-group premiums	19,990	17,168	16,493	14,198
Interest earnings	4,000	7,300	2,860	4,019
	<u>581,447</u>	<u>562,843</u>	<u>551,794</u>	<u>498,863</u>
Expenditure				
Basic health services	993,524	943,606	942,125	866,195
Blue Cross non-group benefits	153,828	155,686	151,748	141,138
Extended health benefits for senior citizens	39,616	38,441	38,216	42,627
Out-of-province hospital costs	29,816	32,297	33,016	30,715
	<u>1,216,784</u>	<u>1,170,030</u>	<u>1,165,105</u>	<u>1,080,675</u>
Contribution from the General Revenue Fund	<u>635,337</u>	<u>607,187</u>	<u>613,311</u>	<u>581,812</u>

School Foundation Program Fund

The School Foundation Program Fund is the main source of provincial funding for elementary and secondary education.

The Fund provides grants to school boards to support basic instruction, student transportation, and construction and modernization of school buildings. Instruction grants are paid on a per-student basis. The building and equipment support provided by the Fund reflects the cost of repaying debentures for projects constructed in previous years.

The Fund obtains its revenue through a tax levy on commercial and industrial property. The mill rate, which is set annually by the province, applies to the equalized assessment of commercial and industrial property. This revenue covers approximately 15% of the expenditure of the Fund.

The difference between the expenditure and revenue of the Fund is covered by a provincial contribution from the General Revenue Fund.

In 1992-93, the Fund is expected to spend \$1,326 million. A contribution of \$1,116 million will be provided from the General Revenue Fund.

School Foundation Program Fund
Revenue and Expenditure
(thousands of dollars)

Table C3

	1992-93 Estimate	1991-92 Forecast	1991-92 Estimate	1990-91 Actual
Revenue				
Levy on commercial and industrial property	209,674	199,674	199,674	177,282
Expenditure				
Student instruction grants	1,030,339	983,105	973,005	923,982
Building and equipment support	198,898	187,775	192,650	179,527
Transportation grants	96,308	92,000	92,643	86,719
	<u>1,325,545</u>	<u>1,262,880</u>	<u>1,258,298</u>	<u>1,190,228</u>
Contribution from the General Revenue Fund	<u>1,115,871</u>	<u>1,063,206</u>	<u>1,058,624</u>	<u>1,012,946</u>